FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,539 — Monday May 16 1988 — D 8523 A

G-7 shifts focus to micro-economic issues, Page 4

World News

Delhi forces 140 Sikhs to surrender in Temple siege

The Indian Government scored a victory in its four-year fight against Sikh extremists in the northern state of Punjab when more than 140 people surrendered at the Golden Temple in Amritsar after a seven-day siege by more than 2,000 commandos and paramilitary forces.

Shooting continued between security forces and 70 extremists who had refused to surrender. Page 24

Israeli attack in Sidon

Israeli aircraft attacked a Palestinian base south of the Lebanese port of Sidon last night. There were no immediate reports of casualties.

Syrians in Beirut slums

Some 7,000 Syrian troops entered Beirut's southern suburbs where rival Shia militia groups have been fighting, with instructions to shoot at any fighters refusing to surrender their arms. Page 24

Sudan gun attacks

A number of people were seriously injured when unidentified men firing machine-guns and tossing grenades launched twn simultaneous attacks on a busy hotel and a club in Khartoum frequented by Westerners. Sudan coalition, Page 3

Belfast shooting

Three people were shot dead in Northern Ireland when terrorists fired automatic weapons in a Belfast pub used by Roman Catholics. Page 9

Bus crash kills 27

At least 27 people, teenagers and their parents, were killed near Carrollton, Kentucky, when the bus in which they were returning from a church outing burst into flames after colliding with a lorry.

Tourists drowned

Six people, including four Austrian tourists, died and eight others were injured when their motorboat capsized and sank off Dubrovnik in the Adriatic, the Yugoslav state news agency reported.

Gulf delays

Iraq's attack on Iran's Larak Island oil-export operations in the Strait of Hormuz is likely to cause loading delays. Page 24

ANC in Angolan war

Guerrillas of the ANC provided new evidence of the increasing involvement by themselves and the Namibian rebel movement, Swapo, in Angola's civil war. Page 3

Workers' debate

Nearly 1,500 delegates from Cosatu, South Africa's black trade union federation, met in Johannesburg to agree a strategy to counter repression and new labour legislation. Page 3

Goria to stand

Former Italian Prime Minister Giovanni Goria presented himself as a candidate for the leadership of the Christian Democrat Party. Page 3

Israeli officer jailed

An Israeli military court jailed an officer for four months for his role in an attempt to bury alive four Palestinians with a bulldozer in a West Bank village in February.

Vote move defeated

Two republics of Yugoslavia failed to bring down the Government of Prime Minister Branko Mikulic with a vote of no-confidence in the Federal Parliament. Page 3

Pindling hearings

The Privy Council in London begins hearings of a case that could disrupt the life of the Bahamas and the position of its Prime Minister, Sir Lynden Pindling. Page 6

Business Summary

Sour Staley speculators count their their losses

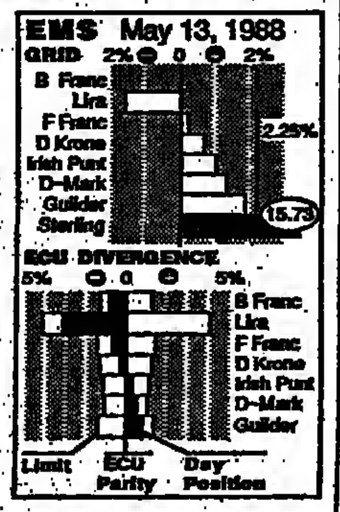
SPECULATORS in the shares of Staley Continental, the US corn syrup group that accepted a $1.48bn takeover bid from UK sugar refiner Tate & Lyle, will be counting their losses when Wall Street opens today. Page 26

SIGNS are emerging of deepening troubles at Texas savings institutions, adding to continuing problems with many of the state's banks. Page 25

EUROPEAN Monetary System: The French franc brushed aside speculation that EMS currencies would be realigned after French Presidential elections were over. It finished the week slightly firmer in places, prompting the Bank of Italy to intervene from time to time as the lira came under pressure.

Trading volume was curtailed by Ascencion Day holidays on Thursday, which closed most European centres, and most currencies traded quietly within a fairly narrow band.

The Danish krone was the notable exception, rising quite sharply, after last week's general election brought gains for the ruling non-socialist coalition.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

MALAYSIAN Government has appointed Datuk Eric Chia, a leading industrialist, to head Perwaja Stell, the troubled government steel project. Page 26

OSAKA SANSO, Japanese industrial gases company in which BOC Group of the UK has a controlling interest, saw a surge in pre-tax profits of 76 per cent in the six months to March to Y818m ($6.57m). Page 26

MITEL, Canadian telephone exchange switch manufacturer which is 51 per cent owned by British Telecom, has reported a redнced deficit of C$24.3m (US$19.7m) or 38 cents a share,for its year ended March 25. Page 28

UK NATIONAL SAVINGS contributions continned their slow decline, totalling £157m ($295m) in April compared with £226m in April last year. Page 12

JAMES CAPEL, securities house, said Britain should not become a full member of the European Monetary System until the system became more orientated towards growth. Page 12

CONFEDERATION of British Industry/Financial Times survey revealed April sales of leading retailers fell short of expectations. Page 12

SEMATECH, semiconductor research consortium, aimed at restoring the international competitiveness of US chipmakers, reached a funding and management agreement with the US Defense Department. Page 6

NESTLE, Swiss food group, is due to publish the formal offer document for its £2.1bn ($3.9bn) takeover bid for York-based confectioner Rowntree. Page 28

Soviet troops face worst part of Afghan pullout today

BY OUR FOREIGN STAFF IN LONDON

THE FIRST Soviet troops to begin withdrawing from Afghanistan face the most hazardous part of their exodus today as they travel north on the 290-mile route to the border with Soviet Uzbekistan. The heart-stopping episode begins when the slow-moving convoy has to go through the narrow, five-mile-long Salang Pass.

The pull-back of the occupation force began on schedule yesterday when the first convoy of 12,000 troops and 300 tanks and armoured personnel carriers withdrew safely back to Kabul, the capital, from the eastern town of Jalalabad.

Colonel Alexander Zobrilin, one of the Soviet commanders in Afghanistan, said in Kabul yesterday that there were no casualties during the harrowing 85-mile ride which takes eight hours through rebel-infested mountains from Jalalabad to Kabul.

The arriving troops were met by crowds of cheering Afghans and taken immediately to a parade reviewed by President Najibullah to mark the start of the withdrawal.

However, the resistance demonstrated that they can attack at will in the heart of Kabul shortly before the withdrawals officially began. On Saturday, a bomb exploded in a truck in central Kabul, killing 16 people, and a series of rockets near the British Embassy, in the north-west of the city, killed at least four more.

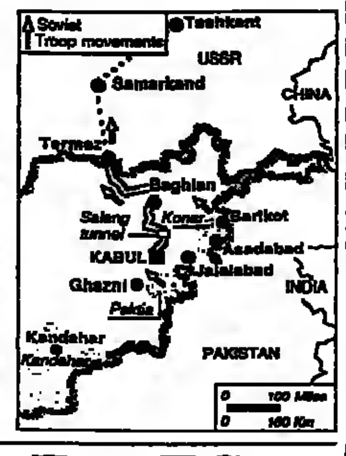
The official withdrawal began exactly 33 years to the day after the Soviet Union's last withdrawal negotiated with the West, the pull-out from Austria on May 15 1955.

Yesterday's troop movements were the beginning of the end of a Soviet occupation which began at Christmas 1979 and ended humiliatingly when Mr Mikhail Gorbachev, the Soviet leader, concluded that the war against the Afghan Mujahideen resistance could not be won.

In Moscow, the Central Committee of the Soviet Communist Party yesterday sought to raise the morale of its troops withdrawing from Afghanistan, telling them they were needed back home to join the struggle for *perestroika* – the reform process launched by Mr Gorbachev.

"Your energy is needed today for *perestroika*, for the cause of renovating socialism, for the protection of its achievements," the

Continued on Page 24



Pressure grows in Britain to clarify exchange policy

BY CHARLES HODGSON AND SIMON HOLBERTON IN LONDON

HIGH-LEVEL differences within the British Government over exchange-rate policy are causing increasing concern among Prime Minister Margaret Thatcher's Conservative Members of Parliament (MPs).

The Government will be under strong pressure today to clarify its position following urgent calls from both its own Conservative supporters in Parliament and the Opposition for a statement denying any rift between Mrs Thatcher and Mr Nigel Lawson, Chancellor of the Exchequer.

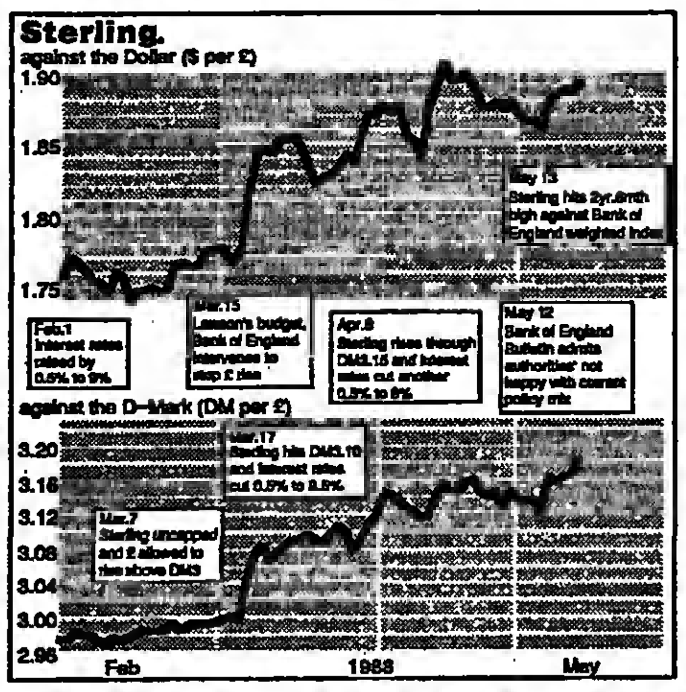
Government officials were at pains yesterday to play down the row and resulting speculation of a big Cabinet reshuffle in the autumn. A spokesman for the Prime Minister said there were "no plans for a statement and no change in the position on the economy or ministers."

The continuing public dispute is, however, causing increasing concern on the Conservative backbenches. Sir William Clark, chairman of the Tory backbench finance committee, said yesterday: "The time has now come whereby the Prime Minister and the Chancellor should state that there is no rift between them, that they are agreed on inflation . . . and also our exchange rate policy."

Speaking on BBC radio, Sir William said that a joint statement would "steady the market and certainly allay a lot of the fears of some backbenchers."

Mr David Howell, former Transport Minister, said that the dispute had been "joyfully exaggerated" by the media, but added that the lack of medium-term consistency on exchange rates was "very serious indeed."

Sterling reached a two-and-a-half-year high against other main currencies on Friday at the end of a week in which Mrs Thatcher repeatedly refused in House of Commons exchanges with Mr Neil Kinnock, the Labour leader, to back Mr Lawson on the exchange rate.



Cabinet divisions over exchange rate policy were further highlighted by pressure from Sir Geoffrey Howe, the Foreign Secretary, for an early decision on full British membership of the European Monetary System, which is strongly opposed by Mrs Thatcher but backed by the Chancellor of the Exchequer.

Mr Lawson sought yesterday to dampen talk of a wider Cabinet rift fuelled by Sir Geoffrey's remarks. Mr Lawson said that Sir Geoffrey had been simply restating his known opinion on the EMS.

Opposition Labour Party MPs are set to continue their vigorous exploitation of the dispute, urging the Prime Minister to give clear backing for Mr Lawson's policy of co-ordinated intervention to control the rising pound.

Mr Roy Hattersley, Labour's deputy leader, said yesterday: "The continuing conflict between Mrs Thatcher, her Chancellor and her Foreign Secretary . . . is deeply damaging to Britain's economic and industrial prospects."

He urged Mr Lawson to make "a firm and clear statement" on government economic policy.

Government officials insisted, however, that the dispute was being "over-interpreted" in both the media and the markets.

The Treasury reiterated its line that current policy was directed towards stabilising exchange rates and that interest rates would be set at whatever level was needed to bear down on inflation.

Mrs Thatcher's apparent unwillingness to support Mr Lawson in the House of Commons was said to be due to the need for the Prime Minister to be "extremely careful" about statements on the exchange rate, to avoid unsettling the markets.

The Government's policy dilemma was graphically illustrated by the Bank of England late last week when it said it would prefer to see higher interest rates and the pound trading at a lower value against main currencies. Currency markets took this as a signal that interest rates would not be lowered.

There is a general expectation among UK economic analysts that sterling should remain high for the foreseeable future. At last week's close, the pound was at its highest level since December 1985 and over the weekend a view appeared to take root that it was likely to remain "in play."

The Bank explained that it was caught between two powerful but opposing market perceptions of the British economy. The Bank's analysis is broadly shared by the Treasury.

On one hand, domestic observers and investors were concerned about the buoyancy of domestic demand flowing from a rapid rise in credit and high underlying wages growth, while on the other, foreign investors were attracted to Britain because of its relatively high interest rates, political stability and sound public finances.

The dilemma is further highlighted by the apparent inability of the authorities to deal simultaneously with those perceptions by the manipulation of one policy instrument, interest rates.

To raise base rates from their present 8 per cent to answer the domestic concerns of overheating would further underpin sterling on the foreign exchanges. Conversely, to cut rates in an attempt to stem the currencies rise would fuel fears of inflation.

Observer, Page 22; Currencies, Page 38

Free EC capital movement closer to reality

By David Buchan in Travemunde, W Germany

FINANCE Ministers of the European Community (EC) have paved the way for agreement next month to free all financial transactions between the 12 EC member states by 1992, and between eight of them sooner.

After an informal ministerial meeting in the Baltic resort town of Travemünde, Mr Gerhard Stoltenberg, the West German Finance Minister, said there was a very good chance that the capital liberalisation move could be agreed on June 6, the next formal conclave of EC finance ministers.

The new directive would lift all remaining controls on *short-term financial transactions* and the restrictions that a majority of EC states still impose on their citizens having bank accounts abroad or holding foreign exchange, and on lending to non-residents. Only the UK, West Germany, and the Netherlands so far permit totally free financial trade.

West Germany is hoping June 6 will thus provide the major legislative success of its EC presidency, but, as that date approaches, several states are pushing hard for longer transition periods (within the 1992 deadline for final liberalisation for all), and for a tougher safeguard clause allowing a country temporarily to reimpose foreign exchange controls in a currency or balance-of-payments emergency.

During the weekend talks in Travemünde, Italy made clear it wanted such a safeguard action to last six, instead of the proposed three, months. It also wants capital liberalisation for the eight richer EC states (including itself) to come into

Continued on Page 24

Mitterrand calls snap poll to seek Assembly majority

By Paul Betts and George Graham in Paris

FRENCH President François Mitterrand has called a snap general election for the beginning of June in an effort to gain an overall majority in the National Assembly. The weekend decision follows his landslide victory in the presidential election eight days ago.

The dissolution of the National Assembly, where right-wing parties had a slim majority, comes after unsuccessful efforts by Mr Mitterrand and Mr Michel Rocard, the new Socialist Prime Minister, to attract French centre-right leaders into the new Administration as part of the President's attempt to enlarge his political base.

The first round of voting will be on Sunday June 5, followed by a run-off (in constituencies where the first poll yields no absolute majority) between the leading candidates a week later. Unlike the previous general election in March 1986, which brought the right back to power, next month's majority ballot will produce one deputy per constituency instead of the proportional representation system.

The dissolution was attacked yesterday by all the main right-wing leaders with the exception of Mr Raymond Barre, the unsuccessful centrist candidate in the presidential election.

President Mitterrand had declared during his campaign that he wanted to form a new government composed not exclusively of Socialists but bringing *in both centrist politicians and* non-political figures. But Mr Rocard, named Prime Minister last week, persuaded only a handful of centrists to join his Cabinet.

An opinion poll published yesterday showed the Socialists winning 41 per cent of the votes in the first round of a legislative election while the two main parties on the right would poll a combined 39 per cent.

In the 1986 general election, the Socialists scored 31 per cent and the two combined right-wing parties 41 per cent. The National Front of Mr Jean-Marie Le Pen is forecast to poll only 8 per cent.

The snap election is regarded as a calculated gamble by President Mitterrand who is hoping that many centrists will be forced between the two rounds of voting to choose an alliance with the Socialists in preference to a deal with the far right. Indeed, the main issue of the three-week campaign is likely to be Mr Mitterrand's ability to convince voters that he and the Socialist party genuinely intend to govern in partnership with the centre.

De Benedetti raises stake in Olivetti to 20 per cent

BY ALAN FRIEDMAN IN MILAN

MR CARLO DE BENEDETTI, the Italian financier, has spent L150bn ($63.4m) to increase to 20 per cent from 14 per cent his shareholding in Olivetti, the data processing equipment maker of which he is chairman.

The move strengthens the De Benedetti group's presence in Olivetti after significant differences between the company and American Telephone & Telegraph (AT&T), the US telecommunications giant which since 1983 has been Olivetti's "global partner" and biggest single shareholder.

Largely through share purchases on the Milan bourse, Mr De Benedetti has brought the equity stake held in Olivetti by CIR, his quoted holding company, to within a whisker of the 22 per cent stake owned by AT&T.

Olivetti and the US group have had differences in recent months over AT&T's shareholding and issues of computer technology.

The Italian company, which last year launched a new line of new minicomputers, appears poised to opt for a microprocessor standard developed by Motorola, AT&T's main rival in the sector.

On the shareholding front Olivetti's differences with AT&T came to a climax on the weekend of April 9, when Mr De Benedetti flew to New York for heated talks with Mr Robert Allen, the AT&T chairman.

For six months the two companies had been talking about bringing forward to 1988 from 1990 the end of AT&T's standstill pledge under which it would not increase its stake. But Mr De Benedetti baulked because AT&T wanted effective management control of Olivetti.

The companies then agreed that the pledge would remain.

Meanwhile, Mr Vittorio Cassoni, the head of AT&T's data processing division who had been "loaned" by Olivetti in 1986, is to return this week to Italy as Olivetti's new group managing director.

Major US computer manufacturers are likely to announce plans tomorrow in an effort to stop American Telephone and Telegraph's hold on a system which allows different makes of computers to communicate with each other. Analysts say the outcome will probably have a key impact on future industry ratings. Page 24

Relations between the two companies are now on a cordial, but rather less collaborative footing.

Mr De Benedetti, in an interview published today in L'Espresso, an Italian weekly magazine, says he hopes that "AT&T will remain a shareholder of ours" but he also claims that Olivetti "no longer needs a big partner."

A link with AT&T, according to Mr De Benedetti, was relevant when the US group bought into Olivetti in 1983, but this was no longer the case.

"Now we need to reach sectoral alliances where and when they are necessary," he argues. He describes the increased stake in Olivetti as "one of several thorns that are turning into roses."

The 53-year-old Mr De Benedetti has in the past two weeks won effective control of Credito Romagnolo, Italy's second biggest private bank, and Mondadori, the Milan-based publishing house.

He predicts that he will soon reach a settlement with the Suez group of France, against which he has been battling for control of Société Générale de Belgique, Belgium's biggest holding company.

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OVERSEAS NEWS

Correspondents in Paris analyse the centre-right's approach to next month's elections and a change at the top of the Socialist party machine

Snap election upsets centre-right

BY GEORGE GRAHAM

THE PREMATURE dissolution of the National Assembly, announced on Saturday night by President François Mitterrand, has thrown the French centre-right parties into a paroxysm of annoyance mingled with anxiety.

With the single notable exception of Mr Raymond Barre, the defeated centrist candidate in the recent presidential election, the UDF, the centre-right grouping which with Mr Jacques Chirac's right-wing RPR forms the parliamentary majority, yesterday attacked the decision.

From ex-president Valery Giscard d'Estaing to Mr Pierre Mehaignerie, the leader of the CDS party – one of the UDF's components – the centrists criticised Mr Mitterrand for acting in contradiction with his proclaimed desire to unite the country and to open up the government to the centre.

Behind their attacks lay two fears: first, that the blame for the failure of this "opening up" would be laid at their door, because of their overwhelming refusal to accept posts in the newly formed government of Mr Michel Rocard, and second, because the rapid parliamentary vote leaves them in a precarious electoral position.

Mr Rocard appears to have set the centrists against him, but appears to be hoping that the election will provide a new opportunity to woo them into the government of unity sought by President Mitterrand.

For the new parliament will be elected in two rounds of voting, with single member constituencies, the traditional system restored by Mr Chirac's government in 1986 after a single experiment with proportional representation, introduced by the last socialist government in 1985.

The proportional ballot in March 1986 gave the RPR-UDF coalition s slim majority with 289 of the 577 seats on 41 per cent of the vote, while the Socialist Party, with around 31 per cent of the votes, has 214 seats. The restored two-round system would probably have given the right 30 to 40 more seats on the same vote.

An Ipsos opinion poll published yesterday showed the socialists taking 41 per cent in a legislative election, with the RPR at 24 per cent and the UDF at 15 per cent. The redrawing of constituency boundaries by Mr Chirac's government in 1986, however, has made it difficult to gauge the likely result in numbers of seats.

The new boundaries were hotly contested at the time, and President Mitterrand refused to sign a decree bringing them into effect, forcing Mr Chirac to push them through parliament on a vote of confidence.

The UDF has made no secret of its willingness to vote a return to proportional representation, but ironically Mr Rocard is of all socialists the least enthusiastic about PR, and resigned from the last socialist government in 1981 in protest at the decision to introduce it.

The most anxious, however, are the minority parties – principally the ultra-right National Front led by Mr Jean-Marie Le Pen, and the Communist Party, with about 35 seats each on around 9.8 per cent of the vote – which are likely to see their parliamentary representation slashed under the single-member constituency system.

The Ipsos poll shows the National Front falling to 8 per cent, compared with the 14.4 per cent scored by Mr Le Pen in the first round of the presidential election, and the Communist vote at 6 per cent.

The calling of a snap election is likely to reforge the alliance of the UDF and the RPR, which had been severely shaken by their poor showing during the presidential election

The two groups are expected to agree not to put up candidates against each other's sitting members, and to try to agree on a single candidate in other constituencies.

Rocard: still hoping for an opportunity to woo centrists into a government of unity

Mauroy beats Fabius in contest for key Socialist Party post

BY PAUL BETTS

MR PIERRE MAUROY, the former Socialist Prime Minister and representative of France's solid northern socialist tradition, was elected first secretary of the French Socialist Party st the weekend after a fierce internal leadership contest with Mr Laurent Fabius, long one of President François Mitterrand's proteges and exponent of moving the party to the political centre.

Mr Fabius, who at 38 became France's youngest premier when he replaced Mr Mauroy in 1984 until 1986, campaigned vigorously for the last few months for the top party job held by Mr Lionel Jospin, the new Socialist Education Minister.

Bnt many in the party became increasingly worried by what they saw as an attempted takeover of the party apparatus by Mr Fabius who has also never disguised his ambitions to run one day as a socialist presidential candidate. Mr Fabius's modernist views and image also worried the party's older guard anxious to preserve traditional left-wing values.

Although Mr Fabius had been the favourite, Mr Jospin, who served as party first secretary for seven years, tilted the balance when he came down firmly in favour of Mr Mauroy, the mayor of Lille and the socialist prime minister who included Communists in his government and launched the left's programme of nationalisation in 1982.

The election of Mr Mauroy is a serious setback for Mr Fabius, but he is now expected to try to forge a strong faction inside the party

Paradoxically, the election result is seen as a boost for Mr Michel Rocard, the new Prime Minister whose social-democratic convictions are closer to Mr Fabius's centrism than to Mr Mauroy's more traditional socialism. The election of Mr Fabius would have placed a direct rival at the top of the party machine for an eventual bid for the presidency. Relations between Mr Rocard and Mr Fabius have always been cool.

Mr Mauroy confirmed after his election that he wanted the Socialist Party to remain anchored on the left. "The Socialist Party must above all remain socialist," he said yesterday. However, he also added that it must also work to assist President Mitterrand in his efforts to enlarge and extend his electoral base to the centre.

"What is now necessary is the existence of a real centre in France ready to accept an alliance with the Socialist Party," he explained. He said the socialists were willing to consider supporting centrist candidates in certain constituencies

Yugoslav bid fails to unseat Mikulic

BY ALEKSANDAR LEBL IN BELGRADE

TWO CONSTITUENT Republics of Yugoslavia – Croatia and Slovenia - failed at the weekend to bring down the government of Prime Minister Branko Mikulic with a vote of no-confidence in the federal parliament.

Both houses, the Chamber of Republics and Provinces and the Federal Chamber, rejected proposals put forward by MPs from the two republics for a vote of confidence. Earlier they had rejected a proposal for the vote to be held in secret. The votes were 64 to 23 and 125 to 64, respectively.

Had there been s vote of confidence, the outcome would have been the same. Even MPs disinclined to vote against Mr Mikulic, largely for fear that the newly negotiated standby arrangement with the International Monetary Fund would be delayed, were highly critical of the Government.

Mr Mikulic admitted the seriousness of the economic situation and many shortcomings in his Government's economic policy, but sought to spread the blame among various of institutions in Yugoslav political life, not least the constituent republics and autonomous provinces.

He denied that his cabinet had exclusive responsibility. His opponents, however, blamed inconsistency and lax policy implementation and the incompetence of Mr Mikulic and his cabinet. They demanded the vote, knowing in advance that they would fail to bring down the Government. But they wanted to dissociate themselves from past performance.

After the vote, the parliament approved the standby arrangement with the IMF, clearing the way for imminent approval by the IMF board and introduction before the end of this month.

A further $1.2bn, however, is needed from Western institutions, including the Bank for International Settlements and, possibly, the EC to underpin new Government measures on which the standby arrangement is contingent. These include relaxation of curbs on price rises, on imports and foreign exchange controls. They will go into effect today.

Little harmony by troubled waters

BY DAVID BUCHAN IN TRAVEMUNDE

ALONG THE waterfront of this West German Baltic resort, the *Einkaufsfahrt* (buying trip) boats tout for custom.

What they are offering is a short cruise, not to nearby Denmark or even nearer East Germany, but into international waters, just far enough to establish that passengers have left West Germany and can buy duty-free goods.

So the setting could hardly have been more fitting for EC finance ministers to have spent the past weekend here arguing about whether indirect taxes, and their different levels in different EC states, distort trade.

The vexed issue, of course, is the EC Commission's proposals to harmonise, or approximate at least, rates of value-added and excise taxes, to help create the internal EC market by 1992.

The Commission has suggested two bands of VAT rates – 4 to 9 per cent and 14 to 20 per cent. This poses particular problems for such countries as Denmark with very high VAT rates, Luxembourg with very low rates, and the UK, Ireland and Portugal with a range of zero-rated goods.

However, far from the example of the Travemunde entrepreneurs winning support for the commission argument, the weekend meeting showed more clearly than ever the problems the commission confronts.

"In all the five years I have attended EC finance ministers' meetings, I cannot recall a single commission proposal which has been greeted by so many very substantial doubts, misgivings, problems and difficulties," commented Mr Nigel Lawson, UK Chancellor of the Exchequer.

Cockfield: Lawson's vehement opponent

To a large extent, the debate has become a personal duel between UK Government Ministers and Lord Cockfield, the EC Internal Market Commissioner. According to one participant at the weekend meeting, Mr Lawson described as a waste of time tax harmonisation proposals that came ill from a man, Lord Cockfield, who had been instrumental in introducing zero-rates to the UK in the early 1970s. Lord Cockfield countered that Mr Lawson had so consistently misrepresented the commission's case that he seemed dishonest, rather than just inattentive.

Lord Cockfield's chances of being re-appointed as a commissioner by the UK Government hardly seem to be increasing as the VAT debate drags on. For all the divisions in Whitehall over such European issues as sterling's participation in the European Monetary System, the Government seems at one in resisting Brussels on indirect tax plans.

Lord Cockfield said "the great majority" of EC states was now ready to go ahead with tax harmonisation, "provided an acceptable plan could be devised." However, even neutral observers concede his plan has run into serious trouble. Mr Onno Ruding, Dutch Finance Minister, said that not only the UK, but also "Ireland, Denmark and Luxembourg, have raised objections that go beyond detail." Tax proposals require the assent of all 12 EC states.

A German suggestion that zero might be adopted as a third "band" of permitted VAT rates, seems to have found little favour with either of the main protagonists. Lord Cockfield reiterated the commission's view that the UK could keep zero rates as a "derogation", which the UK does not want, while Mr Lawson said that squeezing a zero rate into the Commission's plan would still not convince the UK Government of the overall relevance of tax harmonisation to completion of the single market.

Belgium, Luxembourg set to scrap exchange system

BY DAVID BUCHAN

BELGIUM AND Luxembourg are ready to abolish their long-standing dual exchange system as part of EC plans, expected to be approved next month, to remove all capital controls in the Community by the end of 1992.

Finance ministers and central bank governors of the two countries, which form a monetary union, told their EC counterparts in Travemunde, West Germany, that they did not regard the two-tier system as a restraint on capital flows. Indeed, it had enabled Belgium and Luxembourg to liberalise further than most EC states, they claimed.

Even so, at the insistence of the other 10 EC states, they agreed the system was "one anomaly, among others, in the functioning of the European Monetary System."

Therefore they would phase it out before December 31 1992 and, in the meantime, ensure that there were no "notable or lengthy" spreads between the two exchange markets.

Belgium and Luxembourg channel all trade-related payments through the "official" market, which sets the rate for the Belgo-Luxembourg frank in the EMS.

Capital transactions are made through the free "financial" market, thus enabling Brussels to defend the "official" frank rate with relative cheapness and without pushing domestic interest rates too high.

At present, banks in the two countries have to employ many extra staff to administer the two-tier system.

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OVERSEAS NEWS

ANC and Swapo step up role in Angola civil war

BY VICTOR MALLET IN LUANDA

GUERRILLAS OF THE African National Congress have provided new evidence of the increasing involvement in the Angolan civil war of the ANC and their Namibian colleagues in the South-West African Peoples' Organisation.

Both groups receive military training in Angola and are allies of the pro-Soviet Angolan government in its fight against Unita rebels supported by South Africa and the US.

ANC involvement in the Angolan war adds a new twist to the continuing peace talks by South Africa, Angola, Cuba and the US. One of South Africa's main objections to the Luanda government is its willingness to accommodate ANC and Swapo guerrillas.

Wounded ANC members, recovering in a clinic at an ANC centre near Luanda, described how their vehicles were ambushed by Unita a few days ago. Seven ANC members were killed and seven injured in the ensuring gun-battle near the ANC military training camp at Quiboxe, about 170km north-east of Luanda.

It was not the first such clash between the ANC and Unita. Some ANC members have been captured by Unita.

One of the wounded men said ANC guerrillas were deployed against Unita forces in northern Angola.

Mrs Florence Maleka, administrator of the refugee centre, which houses health education facilities and a mechanical workshop, said: "We are freedom fighters more than refugees."

In March nine ANC people were killed in a bazooka and small arms ambush on an ANC convoy in Uige province, according to a survivor. In April the ANC complained to the UN High Commissioner for Refugees that Unita guerrillas had attacked an ANC farm in Malange province, destroying and stealing UN donations of equipment and food.

Swapo is similarly involved in the Angolan civil war. Diplomats in Luanda say it is fighting alongside Angolan and Cuban troops, in preference to infiltrating Namibia.

There are 10,000 South African and 69,000 Namibian refugees officially in Angola, assisted by the UN and countries such as Sweden. The donors, although apparently unconcerned at the military role of the two guerrilla organisations, are becoming embarrassed by Swapo's refusal to allow them access to 100 Namibian prisoners held by Swapo without trial for more than two years. Their names have never been released. They are accused by Swapo of spying for South Africa and trying to poison Swapo leaders.

British MPs are among those who have demanded that the prisoners be released or tried.

Lambsdorff eyes Bonn jobs held by Bangemann

BY HAIG SIMONIAN IN BONN

COUNT OTTO Lambsdorff – economics spokesman of the West German Free Democratic Party, junior partner in the ruling Bonn coalition – has thrown his hat into the ring to succeed Mr Martin Bangemann, party chairman and federal Economics Minister, as leader if the latter moves to a job at the European Commission.

Count Lambsdorff, who stepped down from the Economics Ministry four years ago as a result of the Flick affair, said yesterday he was available as a candidate, presumably for both Mr Bangemann's jobs.

The latter has been thought for some time to be interested in moving to Brussels.

The likelihood of his moving to Brussels may have become less clear with the prospect of parliamentary elections in France next month.

Mr Wolfgang Schaeuble, a Christian Democrat minister in the federal chancellor's office, said any successor to Mr Bangemann as economics minister would not have to be of the FDP.

Goria sets out stall for party leadership

MR GIOVANNI GORIA, Italy's most recent ex-prime minister, presents himself today as a candidate for the leadership of the Christian Democrat Party in an interview which is notably chilly towards Mr Ciriaco de Mita, the present premier and his party leader.

Since taking up the premiership last month, Mr de Mita's friends and rivals have allowed him a decent interval to settle in before insisting that Italy's largest party make arrangements to replace him as party secretary.

Party rules bar him from holding the job indefinitely when his time is dominated by affairs of state, but Mr de Mita has appeared in no hurry to step down from such a powerful position.

Mr Goria, who refused a job in the de Mita government after his party leader replaced him as prime minister in April, calls in an interview published by Panorama magazine for a party congress to be arranged to settle the leadership question "as soon as possible".

While making the ritual denials about wanting the top job, Mr Goria puts some distance between himself and the man who has been his political *sponsor*. He criticises Mr de Mita for seeking opportunities to ally with the Communist party and appears unsympathetic to some elements of his Government's programme.

It is unlikely if any of this will alarm Mr de Mita, nor persuade all Christian Democrats that Mr Goria is acting independently. Mr de Mita will be anxious to be succeeded by someone he can rely on to keep his naturally unruly party in good order.

Martens wins vote

THE new centre-left Belgian government yesterday easily won its first vote of confidence, AP reports from Brussels.

After a 35-hour debate on the coalition's programme of continued austerity and increased decentralisation, the eighth government led by Mr Wilfried Martens won the confidence of House of Representatives members by 140 against 65 and one abstention.

Baker satisfied with Fed monetary policy

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR JAMES BAKER, US Treasury Secretary, yesterday expressed satisfaction with the current course of the Federal Reserve's monetary policy and rejected concerns that inflation might be getting out of control.

He also indicated that, when President Ronald Reagan vetoes the trade bill, which he is expected to do this week, he will make clear that he objects to various provisions in it, not just that for companies to give 60 days notice of plant closure.

Trade experts are awaiting the veto message to assess the prospects for rapid passage of an alternative trade bill, with the provisions the President opposes removed. It is widely assumed that the longer the list of opposed elements, the harder it will be to create an alternative bill quickly.

Mr Jim Wright, Speaker of the House, said he would commit "every ounce of energy I possess to trying to produce the strongest bill we can get enacted".

Mr Baker's comments on the Fed's monetary policy come before the Central Bank's policy-making Open Market Committee meets on Tuesday, when the latest US trade figures will come out.

The financial markets have decided in recent weeks that the Fed has been tightening monetary policy to raise short-term interest rates. This helped to trigger the increase in the commercial banks' prime lending rate from 8½ per cent to 9 per cent last week.

Mr Baker's comments appear to be an endorsement of the Fed's moves to fight inflation cautiously. "The current course of monetary policy being followed by the Federal Reserve is quite satisfactory. I am confident that the Federal Reserve is committed to the idea of preventing any future inflation and, at the same time, preserving economic growth."

Any increase in inflation "is going to be very modest," be said, adding that consumer price inflation in the first quarter rose at an annualised 4.2 per cent – "pretty much right on target" as the Administration forecast.

Mr Baker ducked the question of whether he would resign to run the presidential election campaign of his friend Vice-President George Bush this year.

Unions prepare to counter Pretoria's curbs

BY ANTHONY ROBINSON IN JOHANNESBURG

NEARLY 1,500 delegates from Cosatu, South Africa's most powerful black trade union federation, held a special congress at Johannesburg's Witwatersrand University over the weekend to work out a strategy to counter government repression and new restrictive labour legislation.

Delegates representing 691,000 paid-up members from 13 affiliated unions covering all the main industrial, mining and commercial sectors of the economy met against the background of recent government bans on the United Democratic Front and 16 other opposition groups and impending legislation to cut off foreign funding to anti-apartheid groups and amend the Labour Relations Act.

Trade unions political rights have already been limited by restrictions imposed in February. These make it illegal for unions to support or organise boycotts, call for the unbanning of political organisations and their leaders or support disinvestment and other campaigns. Now they face further restrictions on their right to strike, including bans on sympathy strikes and more complicated procedures for legal strikes.

Paradoxically the effective ban on political opposition groups such as the UDF have heightened the political significance of the black union movement as the sole legitimate vehicle for organised black action, albeit legally only in the economic sphere.

Meanwhile, negotiations are expected to resume shortly between the National Union of Mineworkers, the most powerful Cosatu affiliate, and the mining industry over this year's annual wage claim. The union, which last year fought a three-week strike which cost the industry an estimated R400m (£73m) in lost output and the unions 12,000 lost jobs, has put in an initial claim including 40 per cent higher wages across the board and higher minimum wages. Last year the union started talks with a 55 per cent claim, but against the background of 19 per cent inflation compared with 13.7 per cent this year.

Over the weekend 10 miners were killed at the Harmony gold mine owned by Rand Mines when they fell 1,500 metres down the lift shaft after the lift struck an obstacle and burst open.

Seoul to reveal result of talks with North

By Maggie Ford in Seoul

SOUTH KOREA is to announce the results this week of talks with Pyongyang over the communist North's participation in the Olympic Games, according to Mr Lee Hong Koo, Minister of National Unification.

Rumours of high-level secret contacts between Seoul and Pyongyang circulated this month, prompting a one day rise of 14 points in the stock market last week. President Roh Tae Woo has stressed his intention of conducting *nordpolitik* since his election last December.

Mr Lee said last week that the Government might propose temporary entry to the United Nations to try to spur dialogue.

North Korea has always opposed joint entry to the UN on the grounds that it would perpetuate the country's divisions.

Mr Lee also announced at the weekend that freer discussion will be allowed on unification policy and that opposition politicians will be consulted on Government plans. In the past, consideration of North Korea, except in terms of anti-communism, could provoke a prison sentence.

Islamic opening distracts Sudanese

Tony Walker on fundamentalists' government role taking attention from the economy

MR SADIQ AL-MAHDI, Sudan's Prime Minister, announced at the weekend the formation of a new, broad-based coalition government to deal with critical economic and security worries.

However, few observers in Khartoum expect a new Sudanese government of national unity, dominated by the parties of the Muslim north and led by Mr Mahdi's Umma faction, to resolve Sudan's most serious problem – the civil war in the south between government forces and the Sudan People's Liberation Army.

The presence in Mr Mahdi's new coalition of the fundamentalist National Islamic Front, led by Dr Hassan al Tourabi, seems to mitigate against a negotiated end to the southern rebellion, which was intensified by the introduction in September 1983 of Islamic *sharia* law to Sudan.

One of Dr Tourabi's conditions for joining Mr al-Mahdi's coalition was a guarantee that "replacement" *sharia* laws would be enacted within 60 days, and that they would include penal provisions that caused a furore in Sudan when applied under Mr Jaafar Nimeiri, the previous Sudanese leader, who was overthrown in April 1985.

Both the prime minister and Dr Tourabi *said in interviews that* the penal elements of *sharia* would not be imposed "summarily", as they were under Mr Nimeiri when dozens of Sudanese, some of them Christians, suffered amputations for crimes such as theft.

Mr Mahdi insisted that a system would be devised under which non-Muslims among *Sudan's population of 22m would* be exempt, individually or collectively, from *sharia* penal provisions. The ferocious reaction of southern Sudanese intellectuals to the prospect of a new coalition that includes Dr Tourabi indicates little confidence in government undertakings.

Mr Bona Malwal, editor of the daily *Sudan Times* and an influential critic of the administration, accused Mr Mahdi of having "decided to come out of the closet wearing his true Islamic fundamentalist colours.

"The much-hated, quasi-Islamic legacy of September 1983 is about to be dusted down, touched *up and implemented at break*neck speed. With it will come further divisions on a religious basis throughout the country," be wrote.

Western officials and many Sudanese are mystified over Mr Mahdi's decision to work with the Muslim Brothers, who used to be the main opposition group. They regard this as a potentially disastrous course in a country struggling to contain a strong seccessionist movement in the predominantly Christian and animist south.

Mr Mahdi *justifies the formation* of a broad coalition, in which *most elements of Sudanese* politics are represented, as the best way to deal with the huge problems of his country.

Little progress has been made, since Mr Mahdi came to power in democratic elections in 1986, towards ending the southern rebellion which has displaced about 3m people, many of whom have fled to Khartoum.

Morale is said by military attachés in Khartoum to be low among Sudan's beleaguered southern garrisons, under SPLA siege in the main towns such as Juba, Wau and Torit.

Sudan's economy, where GDP grew by about 5 per cent in 1986-87 due to improved agricultural performance, is slipping back. GDP growth in 1987-88 is expected to decline because of an anticipated 60 per cent shortfall in the production of millet and sorghum, Sudan's principal food grains.

Political uncertainties in Khartoum have delayed the introduc*tion of a new four-year economic* recovery programms aimed to build on an understanding reached last year with the International Monetary Fund. This included a modest devaluation of the Sudanese pound, some price increases and an undertaking to give more encouragement to the private sector.

Sudan suspended payments on external debts of about $12bn, with the downfall of Mr Nimeiri in 1985.

In this atmosphere of crisis Sudan's politicians have spent months wrangling over the strengthening of Islamic penal laws that brought condemnation from abroad in 1983-1985.

OVERSEAS NEWS

Industrial clean-up 'is key to cutting unemployment'

BY ROBERT TAYLOR IN STOCKHOLM

EUROPE CAN find jobs for many of its 20m unemployed over the next seven years through a radical programme of spending on projects to clean up industrial pollution in both the East and West blocs, improving transport and telecommunication links and expanding training, education and research into the new technologies.

This is the message in an important report to be published later this year by a commission chaired by Dr Bruno Kreisky, the former Austrian chancellor, established two years ago to examine Europe's unemployment crisis.

A copy of the report has been obtained by the Financial Times. "It is possible to cut unemployment," claims the report. "But it requires a strong political will to do it."

The commission contains distinguished public figures in Europe including Mr Michel Rocard, the new French Prime Minister, Dr Norbert Blum, the West German Minister of Labour, Mr James Callaghan, the former British Prime Minister, and Dr Ralf Dahrendorf, Warden of St Antony's College, Oxford. Senior industrialists and trade union leaders have been involved, along with officials from the Organisation of Economic Co-operation and Development and the International Labour Organisation.

The commission was funded by the European Community, the European Free Trade Assocation and the governments of Sweden,

Bruno Kreisky: calling for *closer co-ordination of policies*

Norway and Finland.

The report calls for a "closer international co-ordination of economic policies and a joint commitment to the European countries to more expansionary monetary and fiscal policies", arguing that no nation on its own could expand without running into current account and fiscal problems.

It insists: "We oppose the widespread view that European economies are running quite well and that high unemployment is simply a problem of rigid European *labour markets, too high real* labour costs and too high unemployment benefits."

Mr Kreisky suggests that a "reasonable" target would be to reduce the average unemployment rate in western Europe by one percentage point a year, which would bring the level down to what it was in 1979 by the middle of the 1990s. The report calculates this would mean the creation of an extra 15m jobs by 1995 and involve an annual growth rate of 3.5 per cent "Current forecasts that growth is dropping to 2 per cent are deeply disturbing," it argues.

But the report believes the obstacles to cutting unemployment by at least half in Europe over the next seven years are political rather than economic. Clearly influenced by the achievement of low unemployment by the Efta countries where only around 3 per cent of people are jobless, Mr Kreisky and his colleagues argue that policies based on solidarity and what they call "tempered capitalism" would ease the crisis.

Mr Kreisky also argues there was a need for "a minimum standard of security and income" for all Europeans. The report calls for a "training or work guarantee for the long-term unemployed" but most of the commission rejects the idea for a "basic minimum income" for everybody as an immediate solution.

REPORT WARNS AGAINST LAYING BLAME ON MARKET FORCES

"FOR the first time since the 1930s several European governments have renounced their commitment to full employment and have even claimed that governments cannot determine the level of employment and unemployment," argues the Kreisky report. "They tend to blame free market forces or trade unions for the labour market problems."

It adds:"There may come a time when the security and stability afforded to two-thirds of society will no longer be acceptable. Not only those who are unemployed will be affected, but all those who must fear *that they or their* children will become unemployed. The two-thirds society would then be doomed. It is *therefore essential to create an* awareness of the problem. Unemployment must regain its rank within political and economic debate. Governments should not blame obscure market influences."

In particular, Mr Kreisky praises the performance of the Nordic countries in keeping unemployment down. The report argues: "How do these countries differ from the rest of Europe? They certainly do not have more flexibility in their economic systems and labour markets. But what is really striking is that in all these countries unemployment is regarded as a political liability by all parties."

The report argues forcefully against the *neo-liberal* economic ideas that have become characterised as Thatcherism. It says: "We totally disagree *with the recent philosophy of* mainstream economics that, in the medium term, unemployment cannot be influenced by expansionary economic policy and that such strategies would only lead to higher inflation and government indebtedness, not to lower unemployment. This new economic orthodoxy is based on assumptions that are far from reality and historical evidence. It merely serves as a henchman of ideologies for which the knell has started to sound.

"Many governments have been content just to exploit the indifference of the majority of voters, rather than to take responsibility for the well-being of the whole of their populations. The present unemployment is neither inevitable nor acceptable. Those countries who have had the political will and social cohesion to fight unemployment have shown that there is a way out even within the present system."

G-7 shifts focus to micro-economic issues

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

FOLLOWERS of the twists and turns of international economic policy co-operation will find this week that the leading industrial nations are seeking to switch the focus of their deliberations to a new set of issues.

With major macro-economic policy initiatives ruled out until after November's US presidential election and co-ordination of monetary policies under strain, governments need to buy time on financial markets. They hope to do so by emphasising their co-operative commitment across a whole range of micro-economic issues.

The focus is to be on trade policies, on agricultural subsidies, and the plethora of measures ranging from labour market deregulation to taxation and privatisation which fall under the umbrella of "structural policies".

The new tack will emerge at the annual ministerial meeting of the Paris-based Organisation for Economic Co-operation and Development on Wednesday and Thursday. For the Group of Seven nations the OECD talks will provide a dress rehearsal for next month's world economic summit in Toronto.

Alongside it, the seven are developing a more conciliatory approach towards the newly-industrialised countries in Asia whose mounting trade surpluses are threaten progress towards reducing the massive US deficit.

The central problem faced by the Group is how to persuade financial markets that policy co-ordination is up and running while offering nothing new in the way of initiatives. That dilemma has been compounded by the recent re-assessment of the world economic outlook in the wake of last October's stock markets' crash.

The present consensus is that equity price slump has had remarkably little impact on economic activity. Output in the industrialised nations of now expected to rise by 3 per cent or slightly more in 1988.

That more optimistic view of growth prospects, however, implies a slower erosion of the key imbalances in the world economy – the US trade deficit and the Japanese and West German surpluses.

The International Monetary Fund, for example, expects the US deficit to remain around $130bn in 1989, with the Japanese and West German surpluses projected at $75bn and $40bn respectively.

Senior G-7 officials acknowledge that further reducing those imbalances will eventually require some combination of a sharp reduction in the US budget deficit and a renewed fall in the dollar's value. Their concern, however, is the latter does not precede the former.

> Offering micro solutions to macro problems is fraught with risk

The agenda for Toronto then is being shaped with a view to underpinning the still-fragile credibility of international policy co-ordination.

At the top of the list of priorities is to the need to give fresh political impetus to the present Uruguay round of trade talks being held under the auspices of the General Agreement on Tariffs and Trade.

The talks has so far been bogged down in issues of definition and procedures and in the staking out of national positions.

As host to the June summit, Canada is pressing for a commitment to establish a new "surveillance" mechanism at the Gatt to provide constant monitoring of national trade policies.

In parallel, a number of governments support the idea that the OECD should be given a more formal role in surveillance of structural policies. "Peer pressure" to secure closer policy co-ordination in fiscal and monetary policies should be extended to include the removal of industrial subsidies and rigidities in labour markets and to such areas as deregulation, tax policies and privatisation.

The main goal is to enhance the capacity of European and Japanese economies to sustain faster economic growth rates and so contribute more to the erosion of the US trade deficit.

But the most controversial of the "micro issues" is that of agricultural subsidies. At this time last year, western governments were congratulating themselves on the construction of a new yardstick to measure the impact of farm subsidies in different countries and were pledging vigorous action to reduce them.

Ironically, these Producer Subsidy Equivalents, developed by the OECD and dubbed an index of relative sin, show that since last year's ringing declarations the level of subsidies in almost every industrial country has risen not fallen.

Without some firmer commitment to action at the summit, hopes of progress on the issue in the Uruguay mid-term review will evaporate, in turn threatening the so-far meagre progress on other trade issues.

The switch in approach towards the Asian NICs meanwhile is equally tricky. The aim is to replace the hectoring typical of the past year or so with an effort to establish a constructive dialogue. It is based on a realisation that the four most frequently cited countries – Taiwan, South Korea, Hong Kong and Singapore cannot be treated as one coherent bloc. Hong Kong's trade surplus, for example, is only a fraction of the size of Taiwan's, while its economy is far more open than that of its Asian neighbours. South Korea is the Gatt, Taiwan is not.

Canada is hoping that the summit will endorse a plans to open more formalised discussions with each of the countries.

The overall strategy in both the case of micro-economic policies and relations with the NICs is to convince the markets that the co-operation and co-ordination in the G-7 is moving forward.

Privately, however, officials admit that offering micro solutions to macro problems is fraught with risks. A bad set of US trade figures or a further upward shift in world interest rates is leaving to leave financial markets unconvinced of the significance of efforts to extend West Germany's shopping hours. Ironically, the publication in the middle of the OECD meeting of US trade figures for March may provide the first test.

Taiwan has doubts over hijackers

Bob King in Taipei

THE TAIWAN Garrison Command has referred to the prosecutor's office two men who on Thursday hijacked a domestic Chinese flight to Taiwan, ending speculation over whether the two are to be treated as heros or criminals.

The courts may deal leniently with the two, even if they are convicted, because the Government feels that the hijackers acted out of a desire to "seek freedom".

The two forced a Chinese Boeing 737 en route from the south eastern city of Xiamen to Canton with 118 passengers and crew aboard to fly to Taiwan. After the aircraft landed at a military airfield in central Taiwan, the two disembarked and were granted asylum. Taiwan authorities allowed the aircraft to leave for China about five hours later.

But the presence of the two hijackers left the Government in a quandary: on the one hand, its laws provide penalties as severe as death for air piracy, while on the other its anti-Communist policies mean that defectors are usually welcomed with open arms – and often with sizeable monetary rewards.

Yesterday, local newspapers reported the chief prosecutor as saying the freedom-seeker status of the two would win them leniency.

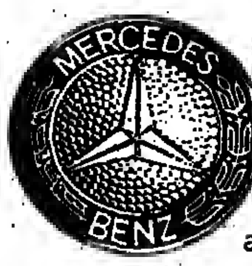
Fresh Danish talks

Denmark's political parties held talks yesterday to form a broadly-based coalition government after its election stalemate, AP reports from Copenhagen. Mr Svend Auken, leader of the Social Democrats, the biggest party with 55 seats, said he was optimistic about building the foundation for a government based on majority support in the Folketing, Denmark's parliament.

Mercedes-Benz don't build cars the way they used to

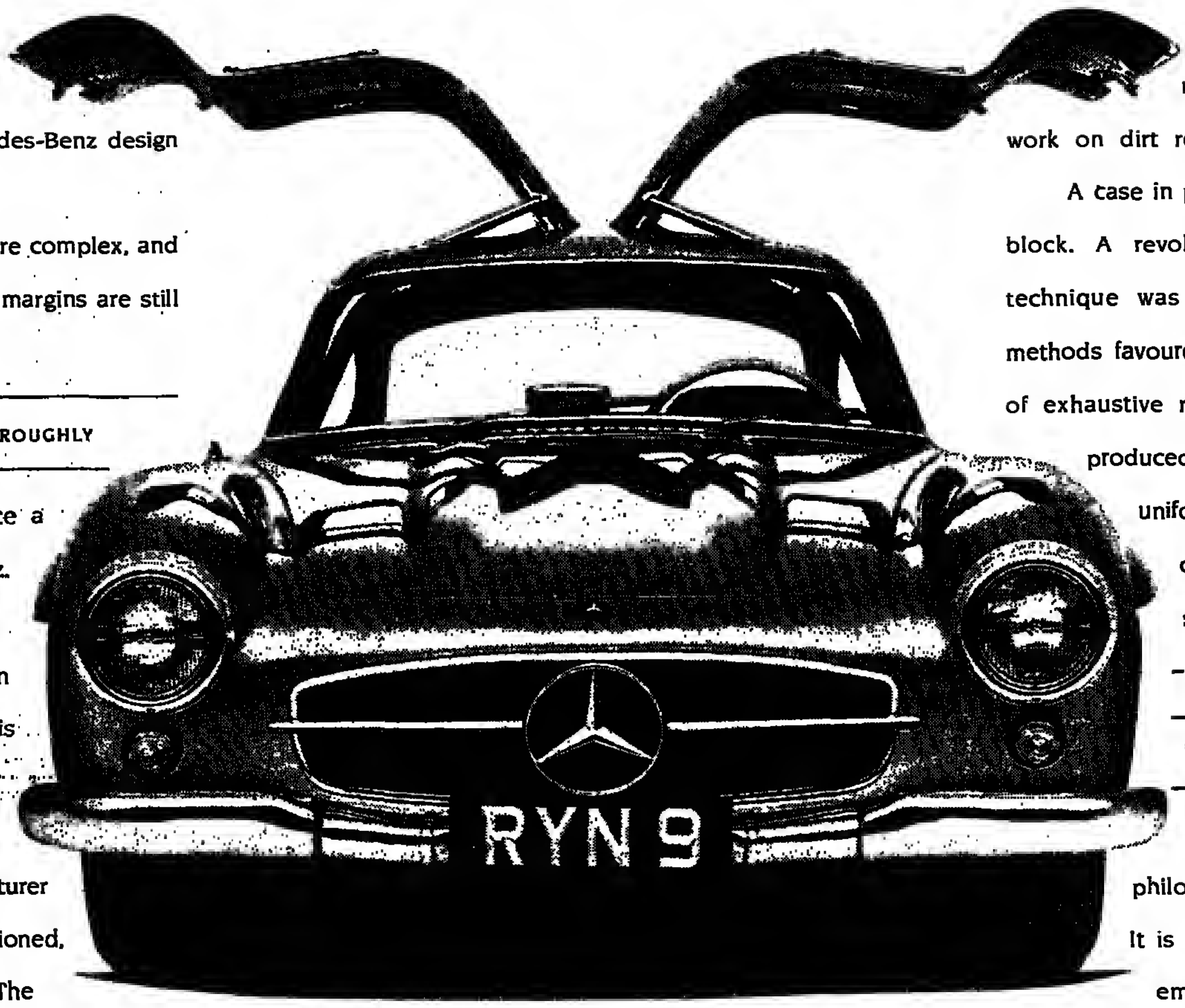
They Build Them Better

Look back as far as you care to. Back to the very first motor car, and you will find the name 'Benz' stamped on it. It's a grip on motoring innovation the company has never relaxed. In the '50's, Mercedes-Benz introduced the 300SL, shown here, the world's first fuel-injected car. Thirty-three years ago. And virtually every example of this famous Gullwing car is still in running order. The reason is as simple as the cars are complex. Its radical engine was married to just as radical a chassis, and it became an instant classic. At its unveiling it merely reconfirmed the margin of Mercedes-Benz design and engineering superiority.



IN THE FOREFRONT OF EXCELLENCE.

Today, the cars are even more complex, and those design and quality control margins are still there – and just as wide as ever.



They Check Them More Thoroughly

It takes 7 years to produce a quality controller at Mercedes-Benz. Seven years, minimum, of assembly line experience before promotion to the Quality Assurance elite is considered. And there are 5310 inspectors, more for each vehicle produced than any other manufacturer permits. Their authority is unquestioned, their demands uncompromising. The production line moves no more quickly than the quality control inspectors allow. No matter how minor the fault, the entire production line will be halted if it is not rectified. It is the toughest production regime there is.

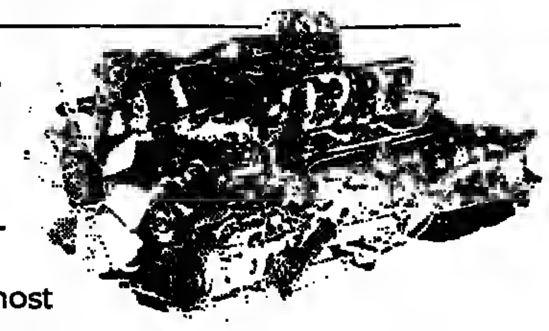
They Rely On Craftsmen

You could be excused for thinking, these days, that robotics has taken over the industry. Not so at Mercedes-Benz where the skills and seasoned discrimination of 50,000 craftsmen complement mechanical precision. Robots work more quickly and to a higher degree of accuracy than is humanly possible. But that is only half the story. There is no substitute for the eye of the craftsman. Choosing the right grain of wood; selecting and matching the fine leather hides; ensuring every important body weld is smooth enough for the paint shop: none of these tasks can be entrusted to a mere robot.

TOMORROW'S CLASSIC

They Build Longer-Lasting Engines

Today's exemplary Mercedes-Benz engines incorporate some of the most advanced powerplant technology in production. In four, five, six or eight cylinder configurations there are none more mechanically refined or trustworthy. Durability testing, to destruction, over years of development, has forged petrol and diesel plants of unmatched reliability and smoothness. Every Mercedes-Benz engine brings to its customer a heritage of literally millions of miles of punishing work on dirt roads, motorways and test beds.

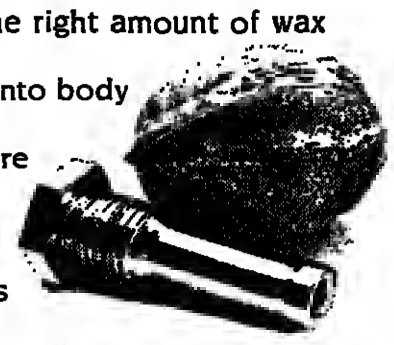

THE WORLD'S MOST ADVANCED LIGHT ALLOY V-8.

A case in point is the light-alloy V-8 engine block. A revolutionary low pressure casting technique was chosen over more traditional methods favoured by other manufacturers. Years of exhaustive research and development have produced a non-ferrous alloy block of uniform density, with silicone crystal cylinder linings, that matches the strength and longevity of cast iron – but is up to 40 lbs lighter.

They Leave No Stone Unturned

The Mercedes-Benz production philosophy tolerates no compromise. It is an approach to car building that embraces every single discipline. Thoroughness and quality control vigilance, above all else, ensure that every car is fit and ready to satisfy the most discriminating customer.

A small example: even when a computer has decided that exactly the right amount of wax solution has been injected into body section cavities to ensure anti-corrosion protection, an inspector double-checks the wax application by inserting a specially designed endoscope into the most seemingly inaccessible crevices. And only Mercedes-Benz, surely, uses ground walnut husk powder and oil as a mild abrasive with which to clean and polish the interior of newly machined gearbox casings.


NOT YOUR CONVENTIONAL NUT AND BOLT.

Undeniably, today's Mercedes-Benz is indeed a more complex car, an even more thoroughly engineered and innovatively designed car, than its predecessors, but it is also reassuringly safer, more practical, less demanding to own and easier to drive, than ever before.

Engineered Like No Other Car In The World.

OVERSEAS NEWS

US semiconductor consortium gains funding

By Louise Kehoe in San Francisco

SEMATECH,tbe semiconductor industry manufacturing research consortium aimed at restoring the international competitiveness of US chipmakers, has reached agreement with the US Department of Defence over funding and management.

With the signing of a memorandum of understanding last week, tbe Defence Advanced Research Projects Agency (Darpa), the arm of the Defence Department charged with overseeing Sematech, has agreed to release the first portion of $100m in Federal funds approved for the project for fiscal 1988.

The five-year project, which will involve the development of advanced semiconductor production technology, is to be funded in equal portions by government and industry members. Sematech is has a five-year budget plan of $1bn.

Approval of funding had been delayed by several weeks raising industry concerns that Darpa might try to redirect the research project toward military rather than commercial goals. Sematech now appears, however, to have resolved any differences that may have existed.

"We each have a better understanding of the issues of importance to both Darpa and Sematech," said Mr Sanford Kane, chairman of Sematech's executive committee. "Discussions with Darpa have been useful to both parties. While our basic objectives and plans have not changed, as typically happens, the net result of our meetings is an improved operating plan."

The first tranch of DoD funds, $25m, will enable Sematecb to begin purchasing equipment to be used in its state of the art semiconductor production plant currently under construction at its Austin, Texas, headquarters. The consortium aims to complete the facility by November.

IBM and AT&T have already each donated advanced memory chip designs to Sematech to be used as "development vehicles" to prove the manufacturing processes developed by Sematech.

In eddition to IBM and AT&T, Sematecb's 14 member companies include leading US merchant chipmakers: National Semiconductor, Intel, Motorola, Advanced Micro Devices, Texas Instruments, LSI Logic, Rockwell, Harris and Micron Technology as well as leading computer companies: Hewlett-Packard, NCR and Digital Equipment.

Member compenies bave agreed to "loan" 250 engineers to the project, end Sematecb has also begun a recruiting drive to hire an additional 250 engineers and technicians. The project will also employ about 400 people in administrative and other jobs.

One position that remains unfilled at Sematech, however, is that of chief executive. After a lengthy industry-wide search, Sematech officials indicated yesterday, however, that they have identified several candidates and hope to be able to make an appointment soon.

While Sematech clearly has many challenges ahead, not the least of which will be to persuade Congress to renew its funding each year, the precedent-setting industry consortium appears at least to have reached the starting line for its race against Japanese and other foreign competitors.

Aid donors urged to co-ordinate policies

By John Wyles in Rome

A STRONG plea for closer co-ordination of aid policies between donor countries has been made by a senior group of British and Italian parliamentarians, diplomats and businessmen.

Mr Boris Biancheri, the Italian ambassador to Britain, coined the term "pluri-bilateralism" to sum up the need for closer co-ordination of bilateral aid programmes, involving also the multilateral aid agencies.

Meeting at Anghera in northern Italy, several speakers at the two-day meeting of the Anglo-Italian Round Table complained either of duplication of efforts by donor countries or of aid programmes working at cross purposes because of differing views of the recipient countries' needs.

The extent to which there should be a balance of interests between donor and recipient sparked lively discussion after Mr Gavin Laird, general secretary of the Amalgamated Engineering Union, made an unashamed plea for national self-interest. If the purchase of manufactured goods formed any part of an aid programme, then they should be from the donor country, he said.

Italy's national aid programme has grown very swiftly over the past three years to reach around £2bn, compared to the UK's £1.5bn. The number of Italian speakers explained both the geographical priority, with more than 50 per cent going to sub-Saharan Africa, and also attempts being made to educate local managerial elites and to harness local capacities in applying aid projects.

Mr Giuseppe Montrone, a consultant engineer with considerable aid experience, said that helping to develop food self-sufficiency should be the top aid priority and, within that, fostering water projects. He argued that participation of the local people was vital in both choosing and creating the project as well as in identifying those who would be responsible for its subsequent maintenance.

The impact of subsidised agricultural exports by both the European Community and the US, together with Japanese agricultural protectionism was widely condemned as damaging for Third World food producers.

Finance row over Bosporus deal

BY JIM BODGENER IN ANKARA

AWARD OF contracts for construction work on the third Bosporus bridge and an associated highway hangs on the outcome of e tussle between Turkey's thrifty treasury and Mr Bedrettin Dalan, Istanbul's expansionist mayor.

The wrangle reflects a wider conflict in whicb the central bureaucracy is trying to curb political imperatives for growth.

Tenders on e "build-operate-transfer" basis for tbe third bridge were opened in a blaze of publicity in early April – a very low bid of $171.5m from the local Sezai Turkes-Feyzi Akkaya undercut by around 30 per cent the next lowest bid from a group led by the UK's Trafalgar House.

However, a consortium co-sponsored by the UK's George Wimpey and Tarmac only needs treasury sanction for its financing package to sign e contract with the municipality for a nine-kilometre bigbway costing around $250m through the heart of the city from Besiktas to Samatya on the European side of the waterway.

Canevi: intensive borrowing

The third bridge and the highway will form a badly needed inner local traffic ring road to ease Istanbul's chronic traffic congestion.

The treasury under Mr Yavuz Canevi, has set its face against further large project borrowing for the next couple of years. "In the past four years there has been intensive project borrowing," said Mr Canevi yesterday. "This will carry over into the next five years, so we don't have to borrow so much."

However, diplomats in Ankara say that Mr Dalan was still pressing hard for tbe highway and bridge. His control of Istanbul, a stronghold for the ruling Motherland Party, carries considerable weight in the Government. Much will depend on the attitude of Mr Yusuf Bozkurt Ozal, the State Minister for the Economy, and ultimately a final decision from his brother, Mr Turgut Ozal, the Prime Minister.

Privy Council hearing Bahamian gifts case

BY ATHENA DAMIANOS IN NASSAU

THE PRIVY Council will begin bearings in London today of a complex case that could disrupt the political life of the Bahamas and the position of its long-serving prime minister, Sir Lynden Pindling.

It is to decide whether or not to uphold e 1986 decision by the Bahamian court of appeal that tbe Public Disclosure Commission re-bear e complaint against Sir Lynden for failing to disclose cash gifts.

The case reaches London while there is renewed attention in the US for the Bahamanian role in the international drug business. This led last week to full-page advertisements by the Bahamian government in the US and Caribbean press to extoll the anti-drug achievements of the Pindling administration.

Tbe council's involvement arises from a suit by former opposition leader Mr Kendal Isaacs, who alleged that Sir Lynden had not disclosed his full income, in accordance with the law. The commission found this complaint unsubstantiated.

Mr Isaacs then asked the Supreme Court to quash the decision and have the complaint returned to the disclosure commission for proper determination. His lawyer argued that the commission's failure to grant Mr Isaacs a hearing violated natural justice.

However, Bahamian Chief Justice Telford Georges ruled in the commission's favour. An appeal court ruling in favour of the opposition leader led to the suit reaching the Privy Council.

A statement by a 1984 inquiry said Sir Lynden did not disclose payments of $670,976 that a friend passed to him.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION
(1980 = 100)

					% change over previous year
	Mar.'88	Feb.'88	Jan.'88	Mar.'87	
US	123.9	123.7	123.7	117.3	+5.6
	Feb.'88	Jan.'88	Dec.'87	Feb.'87	
UK	112.1	115.1	115.5	111.8	+0.3
Japan	111.6	109.2	108.6	99.3	+12.4
	Jan.'88	Dec.'87	Nov.'87	Jan.'87	
W Germany	107.2	107.5	106.9	103.7	+3.4
France	105.5	105.6	104.9	100.7	+4.8
Italy	110.1	101.6	103.1	98.6	+11.7

Source: (except US) Eurostat

SHIPPING REPORT

Japanese dominate Gulf trade

JAPANESE charterers provided much of the reduced level of business in the Gulf last week, and brokers said they were expected to maintain a relatively high presence for the next few months, Kevin Brown, Transport Correspondent, reports.

Rates to Japan increased to Worldscale 37 for a cargo of 230,000 tons, and Worldscale 40 for 215,000 tons as charterers sought to avoid the worst effects of an impact levy due to take effect in August.

Kuwaiti charterers covered a 240,000 tons cargo at Worldscale 39 for loading in the northern Gulf, and Korean charterers were said to have paid Worldscale 47½ for a shipment of 200,000 tons.

There was little demand for the smaller vessels, and a 70,000 tons cargo of fuel oil was carried to the East at Worldscale 82½.

Galbraith's, the London brokers, said owners' optimism about fnture prospects was reflected in the increasing number of tankers changing hands, and increased interest in vessels of the 1m barrel size.

In the dry cargo market, there was some volatility in rates, but brokers said owners of Panamax (the largest vessels able to pass the Panama Canal) tonnage appeared to have regained the initiative by the end of the week in both the Atlantic and Pacific trades.

هكذا عند الأصل

THE WAR IN MOZAMBIQUE

At the crossroads of ideology

By Victor Mallett

IT IS NOT everywhere that a British Brigadier is saluted by his Soviet helicopter pilot as he steps out to inspect the troops, a company of soldiers he has trained to fight a civil war for a Marxist-Leninist government.

Yet this is nothing out of the ordinary in Mozambique, a country which is more than simply an African disaster to rival the Ethiopian famine.

This former Portuguese colony has become an ideological crossroads where West and East – and sometimes the neighbours from South Africa – meet in the strangest circumstances as partners in emergency food aid or military assistance.

Western countries are pouring more than $1bn a year into Mozambique, and for some of them the country has become the focus of their black African policy. Yet this is a place which still boasts officially sanctioned slogans such as "Abaixo o capitalismo" (Down with capitalism) on the walls of its cities.

This year Mozambique will probably receive $100m worth of help from the United States alone, making it the single largest recipient of US aid in sub-Saharan Africa, with the possible exception of Ethiopia. Sweden is giving more to Mozambique than to any other country in the world. Britain's contribution, including military training and supplies of non-lethal equipment, is one of its largest African aid programmes.

International attention is partly a reflection of the enormous scale of the Mozambican emergency. Of the population of 15m, about 6m will require supplies of food aid in 1988. The government is asking for 914,000 tonnes of cereals and other foods. If account is taken of relative population sizes, the demand is proportionately much greater than Ethiopia's.

Mozambique's needs are actually well over 1m tonnes, but it would be impossible to distribute all the supplies inland, where convoys are attacked, roads are mined and bridges blown up or washed away by floods.

Peasant farming areas have been laid waste, depopulated and made inaccessible by the rebels of the Mozambique National Resistance (MNR). Nearly 1m refugees, the world's largest refugee contingent after the Afghans, have fled to neighbouring countries.

There is more to Western involvement in Mozambique than feeding the hungry. Under the vigorous leadership of President Joaquim Chissano, Mozambique has embarked on a series of radical economic reforms sponsored by the International Monetary Fund.

The economic changes, accompanied by greater freedom of religion and other social reforms, are seen as part of a broader move away from the failed and rigid political ideology of the past, a kind of African glasnost which needs to be encouraged.

With consumer subsidies reduced and private enterprise actively promoted, the old communist wall slogans are looking faded and irrelevant. After economic shrinkage of eight per cent a year in the first half of the decade, the Mozambican economy grew by a real four per cent last year, and could grow another six per cent in 1988.

As well as being an advertisement for capitalism, Mozambique has taken on special significance as the transport linchpin of the six Frontline states.

Britain's Prime Minister, Mrs Margaret Thatcher, and the West German Chancellor, Mr Helmut Kohl (who visited Mozambique recently) are among those opposed to economic sanctions against Pretoria. Instead they and their western colleagues are helping the black-ruled countries of the region reduce their dependence on South Africa by funding the repair of Mozambique's ports and railways.

Mozambique itself, Malawi and particularly Zimbabwe – despite its insistence that aid to the region is no substitute for sanctions – should be the main beneficiaries of the revival of the railway corridors to Maputo, Beira and Nacala.

Such is the nature of the civil war in Mozambique, however, that food aid and railway repairs are not enough. One of the more remarkable results of the Mozambican crisis is the way in which the West is increasingly being drawn into the military conflict.

In contrast to Ethiopia, there are no clearly defined areas controlled by rebel or government forces and few signs of political legitimacy or popular support for the guerrillas. The MNR was founded by the Rhodesian security forces in the mid-1970s and later supported by South Africa purely to destabilise Mozambique. Its gunmen now roam at will throughout the country, attacking aid projects, farms and Mozambican villages alike.

Donors are starting openly to help the Mozambican army or to pay for security measures. To do so, they are often reversing previous aid policies which confined assistance to civilians, on the grounds that there is no point giving away trucks and food if they are going to be attacked, burnt and stolen.

"The logistical aspects of the Mozambique emergency programme are a nightmare," Ms Rosie Fieth of Oxfam told donors at e pledging conference in Maputo recently. "There is a desperate need for military escort vehicles to protect convoys of relief goods."

It is a sensitive issne, especially for countries like Sweden which pride themselves on neutrality.

Britain has taken the lead by training Mozambican troops in eastern Zimbabwe since 1986 and providing more than £2m in equipment such as uniforms, radios, and vehicles for the Mozambican, Zimbabwean, Tanzanian and Malawian troops who fight for the government.

On the Nacala railway line the private British company Defence Systems Ltd employs ex-SAS men to train an elite protection force, and the French are also considering installing a military adviser there to guard their contribution to the project.

Portugal is training military officers. Spain's Guardia Civil is setting up a rural counter-insurgency force to guard a Spanish agricultural project. Italian companies give food to the Mozambican soldiers guarding the dams they build.

Some donors such as Denmark and West Germany are opposed to all forms of security assistance, but most have accepted it as inevitable.

The Frelimo government is heavily dependent on the East bloc for its weapons and its fuel, although aid officials still hope they can persuade the West to contribute armour-plated trucks and bulletproof vests for the drivers of relief convoys.

It is an open question whether the varied security assistance now directed towards the 30,000-strong Mozambique army and its allies will enable it to win the war against the 10,000 to 20,000 members of the MNR, also known as Renamo.

The Mozambican army is notorious for ill-discipline and incompetent logistics, an unflattering tribute to its hundreds of Soviet and East German advisers, although morale appears to have improved in recent months and more of the soldiers have boots and uniforms.

When the British went to inspect one of the companies they had trained, now part of a force of 2,500 guarding the British-funded Limpopo railway in Mozambique, they found that the men had been without food for three days. Much of the clothing and equipment provided by the British at the end of the training had been stolen.

Mozambique would doubtless welcome military support from the United States, but as a communist country it has instead become an American political battleground over the so-called "Reagan doctrine" of supporting anti-communist guerrillas.

President Reagan, rejecting the view of some of his supporters that anyone fighting communists deserves US help, proposed non-lethal aid to the government in 1985. But it was rejected by Congress and a special provision was enacted to prohibit such assistance.

Now the US State Department is on the offensive, using as ammunition a US report on refugees which provides damning evidence of MNR atrocities against civilians.

"What has emerged in Mozambique is one of the most brutal holocausts against ordinary human beings since World War Two," declared the US Deputy Assistant Secretary of State, Mr Roy Stacy, in Maputo recently. These were strong words for an American official speaking about an anti-communist organisation, and they delighted and surprised his Mozambican listeners.

"The supporters of Renamo, wherever they may be, cannot wash the blood from their hands unless all support for this unconscionable violence is stopped immediately," Mr Stacy said. State Department officials now believe it is only a matter of time before the United States – under any administration – grants Mozambique some non-lethal military aid.

The report for the State Department, based on interviews with refugees in five countries by Mr Robert Gersony, added to the MNR's already appalling reputation for massacres by concluding that the rebels may have killed 100,000 civilians in recent years.

Slavery, rape, murder and pillage are the hallmarks of the organisation, which apparently makes no attempt to explain its political motives.

Confronted by this horrific and carefully documented report, the enthusiasm of right-wing American churches and politicians for the MNR must surely become more circumspect.

There are even signs that the South Africans, widely regarded as the main backers of the MNR, are prepared to negotiate. While there is proof that South Africa flouted the 1984 Nkomati peace agreement by subsequently maintaining links with the MNR, the extent of Pretoria's current involvement is unclear.

One of the ironies of Mozambique is the close economic relationship it has with South Africa, and the absence among Mozambicans – many of whom have lived there as migrant workers – of the paranoia about Pretoria evinced by other Frontline states, although Mozambique has more reason for snch feelings than any. Food aid is often delivered in South African ships or aeroplanes. Trade is open and unembarrassed.

Now there is even talk of South African security forces being deployed inside Mozambique to guard the power lines (sabotaged by the South African-backed MNR) which run from the giant Cabora Bassa dam on the Zambesi to the South African grid.

The cheap and plentiful electricity supplies from tha dam have been cut off since 1983, to the dismay of Portugal which guaranteed tha construction loans. Portugal, losing money by the day, is now pressing South Africa for an agreement to get the power flowing again.

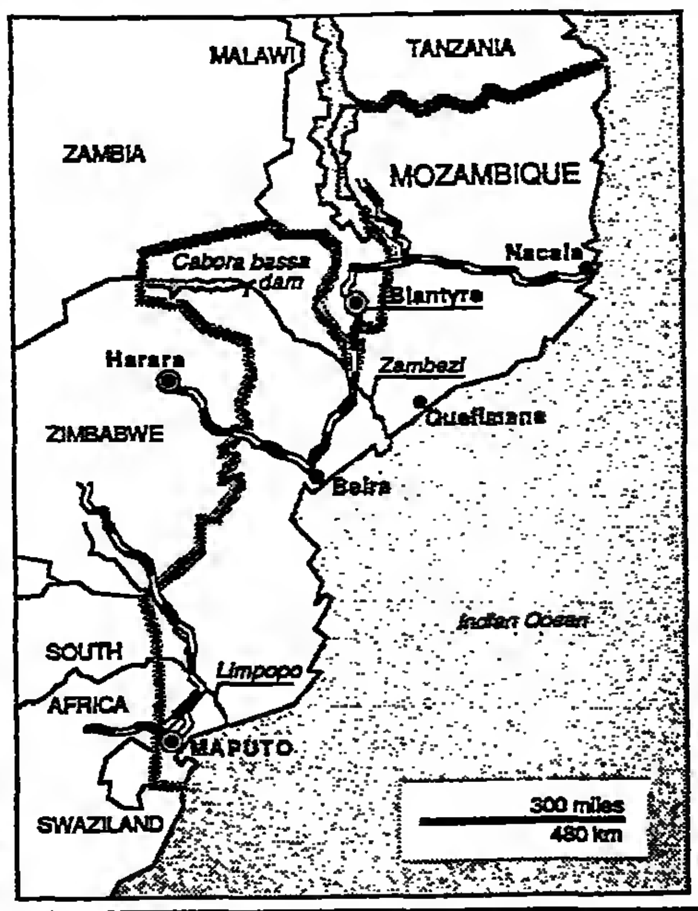
All this could point to a difficult time for the MNR, already reeling from a series of defections and mysterious deaths among its leaders, a round of bitter faction-fighting within the movement, and its sinking status as a group of "freedom fighters".

Mozambique, at war before and since independence in 1975, is desperate for peace. With much heart-searching an amnesty law has been enacted by the government to allow MNR guerrillas to give themselves up, regardless of what atrocities they may have committed. About 1,000 people have already taken advantage of the offer.

South Africa and Mozambique are considering a meeting between President P.W. Botha and President Chissano in an attempt to revive the Nkomati accord, and there are rumours of mediation by the churches between Frelimo and a faction of the MNR.

The economic and military omens for a recovery from the present disaster therefore seem to be momentarily favourable. Western countries are backing Mozambique with foreign aid. Potential investors, including the South African conglomerate Anglo American, are showing a keen interest in Mozambique's rich natural resources.

Success for Mozambique is nevertheless likely to remain out of reach unless the army improves its performance dramatically and the Frelimo government pursues its economic and political reforms with constancy and determination. If peace ever comes, Mozambique will needs its own Marshall plan to return its wrecked towns and villages to some semblance of normal life.



Soldiers of the bush

"IT'S SAD when they go out of that gate," said Sergeant Frank Higgins in a broad Glaswegian accent as B Company of the Mozambican army rolled out of Border Camp, Eastern Zimbabwe after 16 weeks of instruction from the British Military Advisory and Training Team.

B Company is the second batch of Mozambican soldiers to be trained in Border Camp under the terms of a two-year-old British military aid provision for South Africa's war torn neighbour.

The schama atarted in February 1986 as a training programme for Mozambican officers. Last year, policy changed in favour of training integrated companies – roughly 110 men – who will remain together as crack outfits in the Mozambican armed forces on their return home.

The training facility, which is estimated to cost Britain £230,000 a company, has secure funding until March 1989. Foreign Office representatives, who spent a Saturday recently watching B Company at target practice and field exercises, believe that the scheme will probably continue beyond that date.

The first Mozambican company to be trained by the British left Border Camp last year. In December they were deployed along the Limpopo railway line, a 540 km stretch of track linking the Mozambican capital to the eastern frontier of Zimbabwe.

The British government has allocated £14m towards the rehabilitation of the Limpopo railway. The upgrading is part of an overall move by nine states in the region to reduce their trade and transport dependence on South Africa.

In March, reports from the Limpopo line indicated that after more than three months at Ungubana, B Company's predecessors were suffering from food shortages and deteriorating kit.

This month at Border Camp, British Foreign Office and military personal were confident that these problems had been overcome. Morale among the soldiers guarding the line was high, said Lt Col Adrian Gilbert, the British defence adviser in Maputo.

In 16 weeks of training, a strong bond of reciprocal affection and respect has developed between the young Mozambican soldiers and their British instructors.

"In the field, that's where they shine," said Sgt Higgins as the last truck-load of soldiers left the camp singing the praises of the late President Samora Machel. "They're soldiers of the bush and they always will be."

Jeremy Harding

Ministers consider letting taxpayers opt out of NHS

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

MINISTERS are considering allowing individuals to opt out of the National Health Service as a means of introducing more money and greater choice into health care in Britain.

Opting out is emerging as a front-runner among an array of alternatives being examined by Mrs Margaret Thatcher, the Prime Minister, and a high-level team of colleagues who are reviewing the future of the health service. Detailed work on how it might be achieved will be carried out over the next few weeks.

The bulk of NHS funding has come from general taxation since the service's creation 40 years ago. Introducing scope for individuals who made private provision to opt out would mark the beginning of a radical change of emphasis, although even the most fervent critics of the present system accept that a move to a different form of financing health care would have to take place gradually.

John Moore: commitment to keep and develop NHS strengths

The work of the review team, which also inclndes Mr John Moore, Social Services Secretary, Mr Nigel Lawson, Chancellor, and Sir Roy Griffiths, managing director of J Sainsbury, the supermarket chain, and a Government health service adviser, is draped in secrecy and no final decisions have yet been taken.

Advocates of opting out are convinced, however, that the idea is now likely to be adopted as a central part of the solntion to Britain's health care funding crisis.

Mr Moore's only public comments since the review began have been to stress that the Government intends to "retain and build on the strengths of the existing system" of health care in Britain, which includes providing an adequate service for all, regardless of their ability to pay.

But evan within these self-imposed limitations the Government has considerable scope for reshaping the service to provide greater efficiency and an increase in Britain's relatively low investment in private health care.

Suggestions as to how opting out might be accomplished are provided today in papers published by the Institute of Economic Affairs and the Centre for Policy Studies, both on the radical right.

Under proposals advanced by Mr David Green, director of the IEA's health unit, individuals opting out of the NHS would receive vouchers to spend on private health insurance.

Dr Green, who favours moving from a tax-funded to an insurance-based system, proposes vouchers which would ensble people to opt out of both NHS hospital services and primary care provided hy GPs.

The Centre for Policy Studies backs converting a snbstantial proportion of income tax into a national health tax related to income. Individuals or companies would he offered rebates if they were prepared to contract risk out to private insurance schemes.

Former Ford chief to Stonefield

BY JOHN GRIFFITHS

FORMER chairman of Ford of Britain, Mr Sam Toy, is to become de facto managing director of Stonefield Holdings, a Kent-based four-wheel-drive vehicle maker.

The company's chequered 10-year history includes a receivership at its first base in Scotland, an aborted rescue by Land Rover and a buyout by its present management from Mr Abdul Shamji's Gomba Holdings group.

Gomba, which bought Stonefield from receivers appointed by the Scottish Development Agency in 1981 after the SDA had unsuccessfully pumped £4m into the venture, has itself been in receivership for 2½ years.

This followed the collapse of Johnson Matthey Bankers to which Gomba owed £22m.

A Stonefield management team led by Mr Michael Hendrie, current chairman, bought the military vehicle and engineering companies for £1.5m at the end of 1985.

Mr Toy, 64, who retired from Ford in 1986 to become president of the Society of Motor Manufacturers and Traders (SMMT), is joining a team which, Mr Hendrie said, in buying Stonefield as a going concern had deliberately assumed responsibility for its debts.

Production was at a standstill at the time of the buyout. Now, however, the company's order book stood at £10m and it expected to produce 180 vehicles in the second half of this year.

Aerosol risk to ozone reduced by makers

By Peter Marsh

ONLY about 10 per cent of aerosols sold in Britain by the end of next year will contain chemicals suspected of damaging the ozone layer, the British Aerosol Manufacturers' Association has said.

The association said this would follow its decision that all aerosols made by its 80-member companies which do not contain the chemicals will be labelled.

The chemicals in question are chloroflnorocarbons (CFCs), which are widely used as propellant agents. They are believed to decompose slowly in the npper atmosphere, destroying ozone. The ozone layer has a vital role in preventing dangerous ultraviolet light (which can cause skin cancer) from reaching the Earth.

Under an international agreement last year, production and use of the chemicals are to be progressively reduced by the end of the century. In the US, the chemicals are already banned from use in most aerosols.

The association, whose members account for most of the UK aerosols annual market of abont £1bn, said its actinn resulted from many letters from people worried about the effects of CFCs.

Under the initiative, aerosols sold in Britain which do not contain CFCs will carry a label saying they are free from substances thought to damage ozone. The association was confident that most of its members would act over the next 18 months to remove CFCs from thair prodncts, replacing them with other gases such as butane.

The 10 per cent or so of aerosols which will continne to contain CFCs will be mainly for medical or industrial applications.

Members of the association, which covers a range of industries such as toiletries, household goods and medical prodncts, inclnde Beecham, Cussons, Elida Gibbs, Reckitt and Colman, Johnson Wax and Wellcome.

CFCs have in recent years been increasingly linked to environmental problems.

Belfast gunmen kill three in city bar

BY KIERAN COOKE IN DUBLIN AND OUR BELFAST CORRESPONDENT

SECTARIAN VIOLENCE again erupted in Belfast yesterday when gunmen, believed to be loyalist extremists, entered a public house used by Catholics and shot dead three people. At least nine others were injured.

The attack happened just after 2pm when about 20 people were drinking in the Avenue Bar in the city centre.

"I saw a man with sunglasses poke his nose round the door," one eyewitness said. "Then he opened fire with a heavy-looking gun. We all dived to the floor, throwing bottles and trying to protect ourselves with tables. The gunman just kept shooting till he had no bullets left."

It is believed three people were involved in the attack, escaping in a car hijacked in a nearby Protestant area. A priest who arrived on the scene soon after said there were bodies laying along the length of the bar.

There has been a bloody power struggle among loyalist paramilitaries recently and security forces believe more hard line elements intent on inflaming the conflict in British-ruled Northern Ireland have now taken control.

Sources in the loyalist paramilitary Ulster Defence Association said the group was not responsible.

Security forces are worried that the shootings might lead to a round of sectarian tit-for-tat killings not seen in Northern Ireland since the mid-1970s.

More than 2,600 people have died in 20 years of violence stemming from sectarian tensions in the province. This attack raises the year's death toll to 28.

Call for renewal of inner and east areas of London

BY HAZEL DUFFY

BUSINESS development in London should be concentrated in the inner area and to the east of the capital, says a report which will be put before the London Planning Advisory committee today.

The advice of the committee, on which all 33 of the capital's boroughs are represented, is the first and crucial step in planning the future of London.

The committee was set up by the Government after the abolition of the Greater London Council nearly two years ago. It will present its first advice to Mr Nicholas Ridley, Environment Secretary, in September after consultation with the boroughs and interested bodies.

One of the more controversial proposals is for an agency on which government, the boroughs and the private sector would be represented to stimulate development in inner and east London. This move might not get the agreement of the 14 Conservative-controlled boroughs. The agency would have similar powers to the London Docklands Development Corporation to acquire and assemble land, and resources to prepare the land for development.

The boroughs are anxious that economic development should not be wholly the Dockland area along the river Thames to the east of the centre of London, with parts of east London decaying around it. Priority areas would be designated, based on locations in east and south London where key sites could be assembled.

Other policy proposals reflect the need perceived by the all-party group which drew up the report to plan for a thriving capital which is also a civilised place in which to live and work.

After years of decline, the population of Greater London has started to increase over the past two years, and is expected to grow by 300,000 by the year 2000.

To deal with these pressures, the report proposes:

● Between 225,000 and 300,000 dwellings be created, with the emphasis on improvement rather than redevelopment.

● Re-affirmation of the preservation of land protected by statute from building and development.

● A public inquiry into ways of charging and licensing traffic coming into central London.

● Big improvements to public transport. In the short term, this must come from substantial new management initiatives. Longer-term aims should include a new line from Heathrow airport to central London.

● More attention to be paid to education and training, both to provide jobs to disadvantaged local residents in some areas, and to reduce the predicted labour shortages.

UK NEWS

Electricity privatisation 'could cost 160,000 jobs'

BY MAURICE SAMUELSON

ELECTRICITY privatisation could cause the loss of up to 160,000 jobs, many of them in the coalfields, says a report out tomorrow.

Unrestrained coal imports by privately-owned power stations could halve the number of Britain's pits, says the report by the Coalfields Communities Campaign. It also predicts heavy job losses in the electricity supply and nuclear industries and among British power plant manufacturers.

The campaign was set up by 78 local authorities during the miners' strike to protect the interest of the country's coalmining areas.

Its report, compiled before the Government issued its latest declaration of intent to privatise the mines, suggests that electricity privatisation will have been responsible for the loss of about 80,000 jobs within four years.

Of these, 51,500 – or 65 per cent – would be in the coal industry, particularly in Yorkshire. The other main sectors to be affected would be the electricity supply industry itself where 35,000 jobs could go, and the nuclear industry, which could lose 13,000.

It also predicts serious implications for the power plant industry which could affect major companies such as Northern Engineering Industries, KFI Babcock and GEC.

By 1992, British Coal would be reduced to 48 collieries employing 45,000 people and producing between 73m and 80m tonnes of coal a year.

At least 62 pits would have shut and 90,000 jobs gone. Of these electricity privstisation would have been directly responsible for closing 36 collieries.

Meanwhile, a separate report issued this week suggested that even in advance of outright privatisation of the British coal industry, nearly £1.4bn a year could be saved to the economy by lifting the tight restrictions on the present small private mining sector.

Stockbroker Kleinwort Grieveson, in a report to a London seminar on private coal mining in the UK, said liberalisation of the private sector could cut British Coal's share of the market from 86.5 per cent to about 37 per cent and reduce the average price of coal from £41 to £29 a tonne.

While deep-mined output by British Coal would drop from 88m to 45m tonnes a year, production from opencast sites would rise from 14m to 25m. Private output would rise from 5m tonnes to 25m tonnes and imports would increase from 12m tonnes to 25m tonnes.

Steps to achieve this would include transferring ownership of coal reserves from British Coal to the Crown.

Generating Jobs: Electricity, Linked Industries and Privatisation, by Bryan Gladstone and Damian Dewhirst, Coalfield Communities Campaign, 1, Pontefract Rd, Barnsley S71 1AJ. £25.

UK Coal - The Role of the Private Sector, Kleinwort Grieveson Securities.

Sales of rogue car alarms not curbed

By Hugo Dixon

THOUSANDS OF car-owners who have bought paging alarms to alert them if their cars are broken into are themselves breaking the law, because the particular systems they have installed infringe Department of Trade and Industry standards.

The rogue paging alarms, which work by emitting radio signals, could endanger people wearing pacemakers and hearing aids. They could also interfere with other radio-controlled equipment, for example by accidentally opening electronically-operated garage doors or inducing remotely-controlled cranes to drop their loads.

However, the DTI is almost powerless in the face of these threats, because the alarms are mostly imported from the Far East, where the standards are different or else non-existent. The DTI has no authority to prevent their import or sale, only their use.

Attempts to persuade distributors of the alarms not to import them have so far failed, although some have agreed to put a notice on their products stating: "Not licensable in the UK."

However, the DTI argues that this caution is, at best, ambiguous. Consumers might well interpret it to mean that they do not need a license

The DTI could theoretically prosecute individual car-owners. But to do so, the owners would have to be caught red-handed, which is thought to be impractical. The DTI also believes the vast majority of offenders are unaware that they are breaking the law and that it would therefore be unfair to penalise them too harshly.

The problem was highlighted last week by the case of Secom, a small British electronics company which makes the only DTI-approved car-theft paging alarm. It launched its product last year, but has not been able to find a market because of the competition from rogue alarms. Secom's version sells for £169 compared with only £79 for the cheapest imported alarm.

Mr Mark Charlton, Secom's managing director, argues that the price difference does not reflect any inefficiency by his company, but merely the cost of complying with the DTI's high standards.

"We're not being rewarded for playing to the rules; we're being penalised," he complains. Unless something changes soon, Mr Charlton says, Secom will have to close.

Mr Mike Coolican, who is in charge of licensing mobile radios at the DTI, says the department would ideally like "to ban the importation of such (rogue) equipment."

However, any such banning order must first be approved by the European Commission and, to gain approval, the DTI would have to demonstrate that the interference caused by the equipment was substantial.

Clive Wolman on contentious polls at the SE and its watchdog body

Picking regulators poses problems

THE STOCK Exchange and The Securities Association, the new self-regulating organisation, are facing growing controversy over how to elect new governing bodies and a chairman to replace Sir Nicholas Goodison who is retiring after 13 years.

One particularly contentious issue which touches on the long-term future and status of the Stock Exchange is whether Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe, should be allowed to combine the chairmanship of the Stock Exchange and TSA.

Elections for the Stock Exchange are expected to be held in early October while the TSA elections will have to be delayed to November or December, to allow time for all applicants to be authorised under the Financial Services Act.

Until the act came into force last month, all the regulatory work in the province of TSA was the responsibility of the Stock Exchange.

Several members of the governing bodies of the two organisations, including Sir Nicholas, believe that a single head would alleviate the drawbacks of the enforced division between the two organisations which, they argue, is artificial.

Mr Yassukovich, who is already devoting much of his time to his positions as TSA chairman and Stock Exchange deputy chairman, is in by far the strongest position to combine the two roles, even though he is employed by a non-UK securities firm.

Others, led by those with a non-Stock Exchange background, believe that a complete separation of roles is necessary to ensure that TSA, which is supposed to be an impartial regulatory body, gives the Stock Exchange no unfair competitive advantage over the other incipient securities exchanges in London.

Those include Nasdaq, the securities dealers' electronic market, and markets which may develop from systems marketed by information vendors such as Reuter and Telerate. One independent TSA member said: "How could Yassukovich approve a TSA rule which was seen to favour the Stock Exchange more than the other exchanges?"

According to Sir Max Williams, senior partner of the law firm Clifford Chance, who is chairman of the Stock Exchange nominating committee: "It would be difficult to get enough support to have a combined chairman at the moment even if there is nothing against the idea in the longer term. TSA has a responsibility that goes beyond the Stock Exchange."

Mr Yassukovich last week declined to say whether he would be prepared to stand as chairman of both organisations.

If Mr Yassukovich is not a candidate for Stock Exchange chairman, opinion is divided as to whether Sir Nicholas's successor should be an existing council member or an outsider.

The most widely tipped insiders are Mr Graham Ross-Russell, chief executive of Laurence Prust, and Mr Andrew Hugh-Smith, chairman of Capel-Cure Myers. Mr Stephen Raven, who recently left County NatWest and is shortly to join another firm, has also been discussed.

Other potentially strong candidates, such as Mr Peter Stevens, a director of Chase Manhattan Securities, will probably be ruled out by the reluctance of their employers to release them on full pay. The Stock Exchange has been considering whether to make its chairman a fully paid job but that is unlikely before 1990-91.

The absence of pay is also an obstacle for many potential outside candidates, including the most widely tipped, Mr Michael Richardson, managing director of corporate finance at N.M. Rothschild and a director of Smith New Court, who was formerly a partner of Cazenove and before that Panmure Gordon.

Mr Jonathan Agnew, of Kleinwort Grieveson Securities, who was formerly chief executive of the International Securities Regulatory Organisation, is another tipped outsider in a similar position.

The five or six people on the nominating committees of the Exchange and TSA – together with Sir Nicholas from behind the scenes – will play the key role in choosing the new chairmen. Some fear that the committees, made up of independent lay members and retiring practitioners, will exert an excessive and oligarchic influence over the new governing bodies.

Loosely following the New York and other US stock exchange models, the committees will draw up an approved slate of candidates designed to reflect a balance of the different interests among their memberships.

Candidates will not be explicitly labelled as representing particular interests or constituencies, for example provincial stockbrokers or options dealers, as that is considered too rigid. But if opposition candidates appear, the nominating committee will compel them to stand against particular individuals on the slate who come from what the committee considers to be the same constituency.

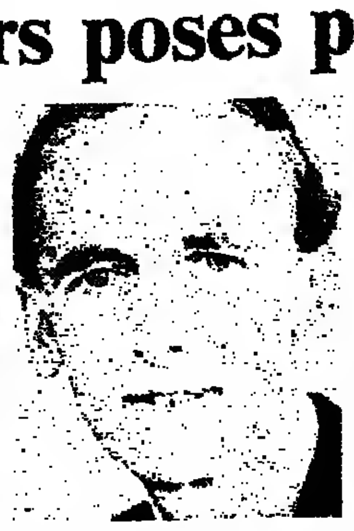
Further complications will arise when a third of the members has to be re-elected in rotation each year. That messy arrangement, which confers far-reaching discretionary power on the nominating committee in choosing and defining categories, is justified as being necessary to preserve balance.

An even more sensitive issue is how many votes should be allocated to each firm. Both TSA and the exchange propose that the number increase gradually in line with the size of the firm, as measured by its number of registered employees, to reach a ceiling of about 10 votes.

Only existing and authorised member firms will have a vote for the governing bodies. That creates the danger, inherent in any self-regulating organisation, that existing firms will frame and interpret rules to keep out fresh competitors.

The only point on which everyone appears to agree is that the system will have to be reviewed and possibly changed quite radically after two years.

Stanislas Yassukovich: posts at SE and TSA



Sir Nicholas Goodison: retiring after 13 years

NEI to use designs from Japan

BY NICK GARNETT

NORTHERN Engineering Industries yesterday underscored its increasing links with Mitsubishi by announcing that it was turning to Japanese technology for some middle-power electricity transmission equipment.

The company has signed a deal to manufacture under licence circuitbreakers designed by Mitsubishi Electric. NEI said yesterday that it was more costeffective to do that than develop its own equipment.

NEI is already co-operating with Mitsubishi in a consortium to supply turbine generators in Hong Kong.

It is the first time a British supplier of equipment for power stations has won sizable business in a Japanese-led consortium.

In the latest deal, NEI Reyrolle will manufacture at Hebburn near Newcastle upon Tyne a family of circuit-breakers for 145 kv (kilovolt) and 245 kv electricity transmission systems.

NEI said the deal would broaden its product range in switchgear, and give it opportunities to win contracts in several countries.

The circuit-breakers are used for many transmission projects, including those related to substations.

Demand for 145 kv circuit-breakers is increasing in the UK because of work to modernise and reinforce the transmission network. Many other countries have traditionally relied on such circuit-breakers.

NEI already manufactures circuitbreakers in that voltage range, but its products are dated.

Mr Andrew Perkins, NEI Reyrolle's managing director, said: "We made a very careful analysis of potential partners, and we found that Mitsubishi Electric Corporation had just what we needed in products and in their approach to marketing and production."

Metal Box can to use plastic bonded coating

By Maggie Urry

METAL BOX, the leading packaging group, has developed and patented a new process to bond plastic to metal which it claims could revolutionise the traditional methods of manufacturing metal cans.

The process, called Metpolam, replaces the usual varnish or lacquer coating on metal cans with plastic providing much stronger protection against corrosion.

Mr Alan Holmes, group technical director, said: "Metpolam represents a significant step forward in metal can technology offering manufacturers a superior finished product and potential cost savings. We are confident that it will be used for an extensive range of packaging."

Metal Box has set up a prototype production line in its research and development centre at Wantage, Oxon, and is negotiating for licences with a number of steel manufacturers abroad.

Drugs industry against paying test volunteers

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

VOLUNTEERS who test new medicines should never be offered payment for undergoing risk, the Association of the British Pharmaceutical Industry says in guidelines published today.

The association says that while volunteers may be rewarded in cash or kind for any inconvenience or discomfort involved, payment of excessive amounts must be discouraged because this could lead to "inappropriate repeated volunteering solely for financial gain."

An association working party has been examining the implications of medical experiments on healthy, non-patient individuals following the publication of a report by the Royal College of Physicians in 1986.

The association's guidelines, which take account of the views of the Royal College of Physicians, conclude that experiments on non-patient volunteers are an essential step towards the development of many medicinal products. "Information from such experiments is indispensable for the scientific assessment and development of most new medicines."

But the association says the justification for testing any agent on healthy individuals depends not only on the importance of the information which could be obtained but also on the risks involved in obtaining it.

Volunteers, it is stressed in the guidelines, must be recruited of their own free will. Widespread public advertising, especially if aimed at the poor, needy or socially disadvantaged, is unacceptable. No one – such as employees of drug companies and research establishments or students – should be put under any obligation to volunteer.

The guidelines stress that women of childbearing age, children and the elderly should not normally undertake tests.

Passenger levels below Brymon's expectations

By Nick Garnett

THE AVERAGE number of passengers carried per flight by Brymon Airways between London City Airport and Paris was below the airline's expectations for the first six months of the service.

However, the company said yesterday that the load factor was rising and that overall it was pleased with the way the service was developing.

Brymon flights carried 17,379 fare-paying passengers between London and Paris during the first six months of the service, which began in November. This represented an overall load factor of 30 per cent.

The company made an operating loss on the service in this period and needs a load factor of more than 40 per cent for an operating profit. It said the load factor was about 40 per cent in the first two weeks of this month and was rising.

Brymon said last year it would *take two to three years to bring* the service into overall profit.

Ministers 'under-estimate costs of running poll tax'

BY CHARLES HODGSON

THE GOVERNMENT has seriously under-estimated the cost of replacing rates with a community charge, or poll tax, two associations of local authorities said yesterday.

They said the tax would cost councils an extra £266m over the next three years. The figure appeared in a report from the Conservative-dominated Association of District Councils and the Labour-controlled Association of Metropolitan Authorities.

The Government has estimated the cost of setting up the new system at between £70m and £90m.

The associations calculated that the cost of running the tax and the new national business rate from April 1990 would be £494m a year. That is two-and-a-half times as much as the present rating system, and about £100m more than current government estimates.

Mr Martin Pilgrim, the AMA's finance director and co-author of *the report, said that setting up* the register of those liable for the new charges would be £144m over the next 18 months. Local authorities would also need to hire an extra 17,000 staff to run the new system.

Speaking on The World This Weekend on BBC Radio 4, Mr Pilgrim said the associations' findings were based on a survey of councils in April and May, and were more detailed than government estimates made last December. About half the local authorities in England and Wales were surveyed.

The nine London boroughs where rates and poll tax will run side-by-side for four years were excluded. The associations said that meant the results were an under-estimate.

AMA members are due to hold talks with Department of Environment officials today about the cost of setting up the poll tax.

Mr Michael Howard, the Local Government Minister, said the Government was awaiting an independent report about the costs of the tax from Price Waterhouse, the accountants.

Rifkind boosts control over Scots investment

Financial Times Reporter

THE GOVERNMENT is to take closer control over inward investment in Scotland as part of a strategy to safeguard the Scottish dimension in industry.

Mr Malcolm Rifkind, the Secretary of State for Scotland, has set up a supervisory board "to reinforce government involvement in and support" for Locate in Scotland, the agency credited with Scotland's success in attracting inward investment.

The board's function will be to consider overall strategy, approve programmes and monitor progress. Mr Ian Lang, Minister of State at the Scottish Office, has been appointed first chairman of the supervisory board.

Locate in Scotland provides a "single door" for potential inward investors in Scotland, and can offer packages of support involving regional assistance, industrial sites and help with training.

It is staffed by staff of the Scottish Development Agency and civil servants from the Industry Department for Scotland.

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UK NEWS — EMPLOYMENT

NUS leadership to face criticism from members

BY JIMMY BURNS IN HULL

LEADERS OF the National Union of Seamen are likely to face strong criticism for their handling of the 15-week-long ferry dispute when the union's biennial delegate conference opens in Hull today.

During a preparatory "closed" session yesterday, members, backed by some hardline officials, demanded thet the dispute be discussed axtensivaly in an emergency debate and that the union leadership be subjected to critical motions from the floor.

Union leaders had hoped to have only one emergency motion debated today – their own – expressing general snpport for the campaign against P&O.

Critics claimed this ignored rank and file opposition to the decision to call off secondary action as well as the general frustration with the apparent failure of the union to generate wider support for the P&O strike.

Mr Sam McCluskie, NUS general secretary, is hoping to gain control of his union's assets in the High Court later this week.

It is understood the union will on Wednesday reqnest to be allowed to sell off some of its equity to pay the latest fine of £150,000 imposed by the High Court, as it no longer has any official cash reserve. The union then hopes to apologise to the High Court to purge itself of contempt in the action brought by the Sealink ferry company.

Attempts by the union to stay within the law are being threatened by continuing strike action being taken by some members.

Scottish NUS officials said last night that the operations of North Sea supply vessels had been disrupted because four Aberdeen based companies, – Barra, Star Offshore, Mersk, and PUE – had withdrawn recognition from the union and refused to reinstate 100 seamen sacked for taking secondary action.

Mr James Sherwood, chairman of Sealink Ferriea, said justice was on the union's side in its dispute with P&O. He said Sir Jeffrey Sterling, P&O's chairman, had gone overboard in his attempts to quash the union. He said the dispute had made it less likely the two companies would form a joint-venture to combat competition from the channel tunnel, as it had proved how difficult it was to negotiate with Sir Jeffrey.

● The NUS yesterday upheld appeals against dismissal from the union by eight members, bringing to 135 the number of members who have been reinstated after being expelled for agreeing to the terms proposed by the management of the QE2 two yaars ago, in defiance of union instructions. Officials described the move as a "conciliatory gesture," which may have a bearing on the attitude the NUS takes to those members who have chosen to work for P&O.

● P&O European Ferries' proposals for revised shift patterns on its cross channel sailings should be subjected to an independent health and safety audit, according to a report published today, which argues the shift system could be a recipe for disaster.

P&O's Shiftwork Proposals, The Work Hazards Group, British Society for Social Responsibility in Science, 9 Poland Street, London W1.

Laird gives single-union proposals a boost

By Charles Leadbeater, Labour Correspondent

THE TUC's efforts to win union agreement on a procedure to regulate inter-union competition over single-union deals was given a boost yesterday when Mr Gavin Laird, the AEU engineering union's general secretary, gave the draft procedure a guarded welcome.

Tha AEU leadership had warned that it may consider pulling out of the TUC if too rigid a set of procedures were introduced. However, Mr Laird said the document, to be discussed on Wednesday by a special review body of 20 union leaders, was a basis for constructive negotiation which would accommodate the AEU's desire to continue to sign single-union deals.

It seems likely the draft procedure will widen the rift between the EETPU, electricians' union, and the TUC over strike-free agreements. Electricians' leaders said the draft significantly tightened np procedures governing when a union could enter a strike-free agreement.

The union's members will vote in mid-June on whether to pull out of the TUC.

The TUC proposals for regulating single-union, and no-strike agreements, which fall into two main parts, have been tightened up since left-wing union leaders rejected proposals at a meeting last month.

● The TUC had initially proposed that unions should not *offer* no-strike agreements to win recognition from an employer. In the revised draft the TUC proposes: "Unions should not conclude agreements in exchange for recognition, which specifically remove or are designed to remove the basic, democratic, lawful rights of trada union to take industrial action."

It qualifies this by saying the clause, which would be included within TUC guidelines union negotiators would be expected to observe, does not rule out agreements under which a union or an employer may be able to choose to refer a dispute to arbitration, including *pendulum arbitration.* However this clause effectively rules out recognition agreements which include a compulsory reference to arbitration as the final stage of a disputes procedure. The EETPU has signed a number of such agreements.

If an employer insisted that a union gave up its right to take industrial action, the union *should at once consult the TUC.*

● The TUC proposes to introduce a standard form which unions would use to provide details of proposed agreements they were planning to conclude. The document says this would "expose the union to TUC guidance" on whether it could go ahead with the agreement or whether it should consult other interested unions.

In the initial proposals the TUC snggested unions should provide information about agreements once they had been concluded.

Unions' observance of both clauses would be taken into account by a TUC disputes committee if one were called to rule on whether a single union agreement should be allowed to stand.

Thomson expected to recognise two unions at TV plant

BY PHILIP BASSETT, AND CHARLES LEADBEATER

UNION LEADERS believe that Thomson, the French electronics group, is likely to grant recognition to two unions at its television factory at High Wycombe, Buckinghamshire soon.

The significance of such a move is that tha EETPU, electricians' union was last year instructed by the TUC to withdraw from a single-union agreement at the plant, which was then owned by Thorn-EMI. The union reluctantly agreed to the instruction bnt warned that as a result the plant would become a non-union establishment.

Leaders of the union have cited the Thorn-EMI case as one of the reasons why they are refusing to accept two instructions from the TUC disputes committee to withdraw from two further single-union deals at Orion Electric and two Christian Salvesen depots.

On the basis of the High Wycombe case, the EETPU says that these sites would also become non-union if it withdrew. By refusing to accept the disputes committee's decisions the EETPU is likely to be suspended or expelled from the TUC.

Bnt the AEU engineering union and the MSF general technical union, claim the plant is 90 per cent organised. They claim that contacts with senior executives of Thomson Grand Public, the consumer electronics subsidiary of Thomson, have convinced them that it is likely to grant recognition to them soon.

EETPU leaders yesterday said they had already received reports of unions attempting to poach members from it in the run up to its ballot on whether to withdraw from the TUC.

Leaders of the AEU, engineering union, which is holding amalgamation talks with the EETPU, said their union would continne to work with the electricians and protect it from poaching even if it was outside the TUC.

Leaders of both unions said the amalgamatioo talks would not be affected by the EETPU's decision to ballot of pulling out of the TUC, although Mr Gavin Laird, the AEU's general secretary said his unioo would have no involvement with an "alternative TUC".

● The assumption that single union agreements are the only form of modern industrial relations is mistaken according to a detailed survey of employment and unionisation in the Scottish electronics industry.

The study, by Dr John MacInnnes of Glasgow University, and Mr Alan Sproull of Glasgow Colleges, says single union agreements are the least common form of worker organisation within the industry, covering less than a quarter of workers in unionised establishments. It says there is little evidence that such agreements have grown rapidly in recent years.

The aothors say the significance of their findings on single-unionism are that: "The arguments which have been advanced that single unionism is the antomatic pattero for future union organisatioo find little snpport from our evideoce."

While the survey of 144 plants found that older plants were more likely to be unionised, it found that there was not a statistically significant link betweeo newer plants and single union agreemeots.

Trade Union Recognition, Single Union Agreements, ond Employment Change in the Electronics Industry in Scotland, is available from the Department of Economics, Glasgow College, Cowcaddens Rd. Glasgow G4 0BA. Price £6.

Tory MPs to step up dock labour scheme campaign

BY PETER RIDDELL AND TOM LYNCH

CONSERVATIVE MPS intend to step up their campaign to end the National Dock Labour Scheme, in spite of the defeat in the Commons last week of a backbench bill winding-down its operation.

The scheme guarantees employment to dockers in many British ports, though Tory critics argue that it is expensive and wasteful, diverting traffic through other places.

The campaign to abolish the scheme has been taken up particularly by new Conservative MPs, as well as by ex-ministers such as Mr Leon Brittan, the former Trade and Industry Secretary. A Commons motion calling for the abolition of the scheme has been backed by 210 backbench Tories.

However, the call has so far been resisted by the Government which believes that current arrangements should not be scrapped. Some Tory MPs think ministers are being cantious becanse of official advice that such a decision might precipitate a national dock strike.

The next stage of the campaign is likely to involve a further Commons debate, lobbying of ministers and a pamphlet.

Last Wednesday, a backbench bill to force changes in the scheme was rejected by a majority of 47 (167-120), not only because of the opposition of Labour MPs hut also because of the abstention of ministers, whips and parliamentary private secretaries.

The Dock Labour (Amendment and Limitation) Bill was promoted by Mr David Davis, the Tory MP for Boothferry. He argued that further entry into the scheme should be stopped, that dock labour boards should lose responsibility for discipline and that management and unions be compelled to negotiate improved practices, to produce "a new, efficient dock industry" in time for the completion of the single European market in 1992.

The scheme, he said, was "initially well intentioned," but was subject to abuses which helped make ports uncompetitive. Discharging cargoes at UK ports cost £7.50 to £15 a ton, against £2.50 to £3.50 at Rotterdam and Amsterdam. He said the additional business and jobs created after 1992 would go to British ports if they became competitive.

Advantages of full EMS membership questioned

BY SIMON HOLBERTON

BRITAIN SHOULD not become a full member of the European Monetary System until there are signs that the system has become more orieoted towards growth, James Capel, the securities house, says in its latest review of the British economy.

It would only be in Britain's interest to join the exchange rate mechanism (ERM) if the Bundesbank, the West German central bank, adopted less restrictive polices or bad its power reduced, and if there were a greater commitment by other EMS countries to pursue tighter monetary policies.

James Capel questions whether the EMS has, by its existence, led to lower inflation in Europe but it agrees that the system has imparted stability to participating currencies. It doubts, however, whether such stability could have been maintained if sterling, which is a major trading currency and susceptible to oil prices, had been a member since 1979.

Sterling is a more widely traded currency than any other member currency with the exception of the D-Mark. James Capel contends that the introduction of another major currency into the system would under most circumstances increase tensions within it because the system derives stability "from the fact that it operates with a number of smaller satellites around the DM core."

James Capel places the ERM group of countries' experience in reducing inflation in the wider context of a decline in world inflation during the 1980s. It also notes that over the past nine years the rate of UK inflation has moved better than many other EMS countries relative to West Germany.

Although it concedes that exchange rate stability has been achieved it has been done at the cost of lower growth and higher interest rates. ERM countries have had higher interest rates and lower output than other major countries in the 1980s.

Since the recovery in world growth in 1983, West Germany, France and Italy have grown by 2.1 per cent a year compared with 3.5 per cent for the UK, 3.8 per cent for the US and 3.9 per cent for Japan.

James Capel says, "In our opinion, growth within the exchange rate mechanism countries bas been subdued not only because of Germany's unwillingness to reflate but also due to monetary misalignment within the system itself."

In spite of the narrowing of inflation differentials there has been little improvement in narrowing the differential between West German and ERM interest rates. This suggests that the credibility of the individual members' anti-inflation stance is weak and almost wholly dependent on the discipline imposed by these countries' links to Bundesbank policy.

"Through its current operating procedures, the ERM will have a tendeocy to keep interest rates relatively higher against Germany and worsen the trade balances of those economies which are perceived as oot baving domestic monetary policies which are tough on inflation."

Rees-Mogg set to check TV sex and violence

By Raymond Snoddy

SIR WILLIAM Rees-Mogg, former vice-chairman of the BBC Governors, is expected today to be named chairman of the planned Broadcasting Standards Council to monitor sex and violence on television.

As the price for accepting the job, Sir William has won from the Government the right to preview programmes brought in by Britain's broadcasters, particularly American films. The new council will not have the power to prevent snch programmes heing shown, only the right to express an opinion in advance of transmission.

A compromise was agreed in talks between Sir William and Mr Douglas Hurd, Home Secretary, after Sir William said he would not accept the joh until he was sure the new council would have real powers.

Sir William, a former editor of The Times, now completing his term as chairman of the Arts Council, has made it clear he will not have the right to preview programmes made by British broadcasters.

In neither case will tbe council have the right to prevent anything being shown. Its role will be to draw up a code of standards on the portrayal of sex and violence on television, including cable and satellite television, and express its opinion when it believes those standards have been breached.

Since Mr Hurd announced the creation of the council at last year's Conservative Party conference, it has been made clear that its main power will be to oblige broadcasters to carry on air any criticism the council makes of their programmes. The council is to be formally created in a broadcasting bill dne to be introdnced in the antumn.

Both the Independent Broadcasting Authority and the BBC have been critical of any right of preview which they believe would pre-empt their statutory roles.

Sir William had made clear, however, that be believed the council should concentrate on narrowly defined issues of sex and violence and tbat questions of fairness in programmes should remain issues for the BBC and IBA.

CBI/FT SURVEY OF DISTRIBUTIVE TRADES

Growth rate in retail sales slows markedly

BY RALPH ATKINS

HIGH STREET sales growth in April fell short of retailers' expectations, the Confederation of Britisb Industry Financial Times snrvey of distributive trades reports today. There is optimism about an improvement this month.

The new survey points to a marked slowing in the rate of increase in sales compared with the secood half of last year. The results tally with last month's survey, which also suggested a moderation in the pace of growth.

The survey measures changes in the difference between tbe percentage of retailers reporting a rise in sales volume and the percentage reporting a fall. It charts the difference from month to month as what it calls a balance, consisting of the percentage reporting a rise minus the percentage reporting a fall.

Tbe snrvey covered 493 distributors last month, including 271 retailers. Of the retailers 52 per ceot reported a rise in sales, and 21 per cent a fall, leaving a balance of 31 per cent. That compared with balances of 46 and 40 in February and March respectively.

Mr Nigel Whittaker, chairman of the survey panel, said: "The results of the survey continue to support our belief that the underlying rate of sales growth has moderated since the autumn of 1987."

He added: "Although sales in April did not rise qnite as fast as sbopkeepers bad anticipated – and some said that sales were disappointing for the time of year – retailers are now looking for better business in May."

When asked what they expected in May, the answers from retailers in the survey produced a balance of 58 per cent. The survey has recently tended to show retailers being unjustifiably optimistic.

Chemists and retailers of durable household goods were most positive about sales growth in May. Retailers of hardware, china and DIY goods and shops selling confectionery, tobacco and newspapers reported the best sales increases in April.

The survey shows that retailers built up stocks in April, reflecting the sales growth which was slower than expected. The balance reporting excessive stocks was the highest since February 1985.

Wholesalers also reported slower sales growth in April. The balance of 37 per cent between those with more sales and those with fewer was the lowest since November 1986.

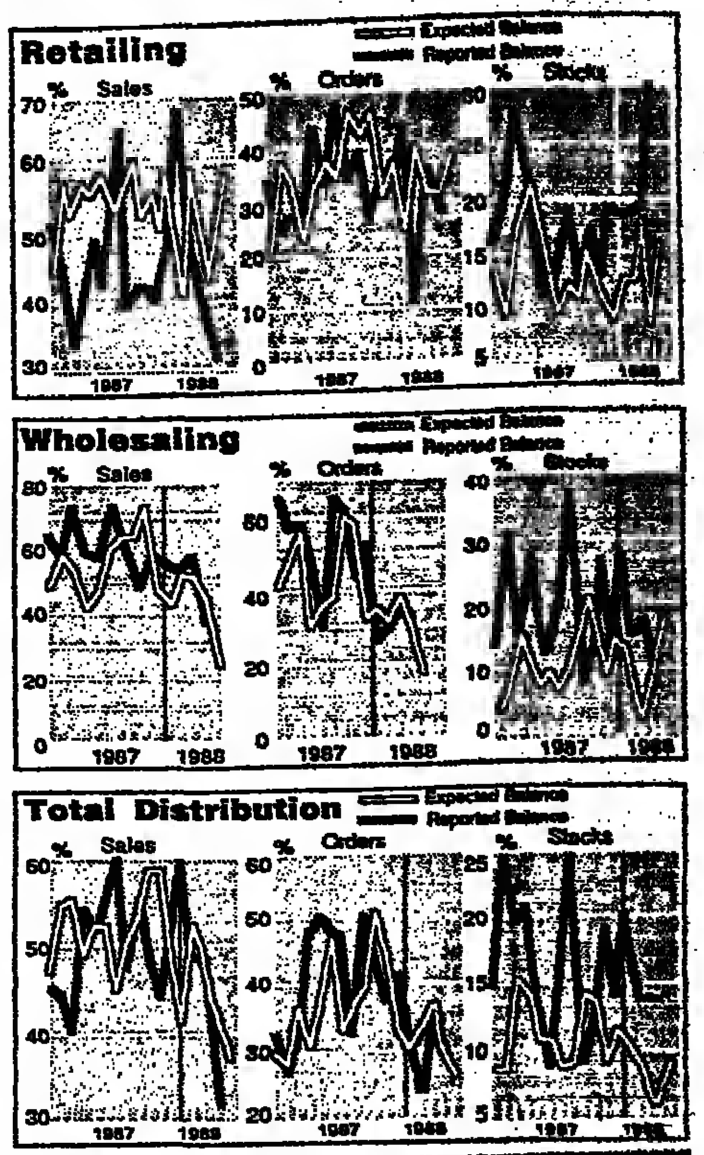
April's sales fell short of expectations and there was cantion about sales in May. Orders placed by wholesalers in April slowed in line with expectations. Stocks improved, however, by slightly more than had been anticipated.

Builders' merchants and food-and-drink wholesalers reported the best sales increases in April.

Builders' merchants and wholesalers of materials for electrical installations were most optimistic about sales growth in May.

Among motor traders there was a slowing in April in the growth of sales compared with 1987 after relatively buoyant increases in the previous three months.

Companies selling parts and accessories were more positive than vehicle traders about sales in April bnt for May vehicle traders appear to be most optimistic.



Industry 'should have support on exchange rates'

By David Lascelles

BRITISH industry deserves government snpport on exchange rates to obtain a longer breathing-space in which to improve its trading efficiency, according to a newly formed banking association in the Midlands.

Mr John Barker, chairman of the West Midlands International Investment and Merchant Bankers' Association, says in an inaugural briefing that UK industrial companies bave largely protected tbemselves against sterling's strength by using hedging devices extending np to the middle of next year.

He expects them to use this period to invest in new capacity to reduce production costs and improve their export competitiveness. But they might need longer to complete a loog period of adjustment which dates back to the recession of 1981.

The bankers' association was formed last week with 23 members, to act as a focus for Midland banking activities.

Minister hits at plan for bank 'protection'

BY RALPH ATKINS

A GOVERNMENT minister yesterday condemned as "protectionist" a proposed measure from the European Commission to control non-European community banks operating in member states.

Mr Peter Lilley, Economic Secretary, said a provision in a planned EC directive would prevent member states from authorising banks from non-EC countries unless institutions from all member states had full access to that country's market on equal terms. He said it had been included in the directive without prior discussion with member states.

Speaking at the Konrad Adenaner conference attended by European finance ministers at Lake Como, Italy, Mr Lilley added: "We want our companies to have access to other countries' financial markets, just as they participate in ours. But any reciprocity powers should be used to open markets overseas, not to close our markets to fair competition from abroad."

The second banking co-ordination directive covers the terms under which a bank authorised in one member state would be able to provide a range of services in other EC countries. It is currently being considered by the European Parliament.

Mr Lilley said the Government saw the creation of an internal market in Europe from 1992 as an opportunity to remove barriers of competition. However be said the EC should not knock down barriers within Europe only to strengthen those between Europe and the rest of the world.

"We should not use the size of the market as an excuse for not looking outside it. The community can still benefit enormously from trade with the rest of the world," he said. "That is why we resist and will continue to resist measures that we see as protectionist."

National Savings decline

BY OUR FINANCIAL STAFF

NET contributions to National Savings have continued their trend of slow decline. They totalled £157m in April compared with £188m in March, £200m in February and £228m in April last year.

Total investment in National Savings stood at £36.6bn at the end of April, £2bn more than a year earlier.

The most successful products continue to be income bonds with net sales of £158.8m, which more than accounted for the whole net contribution of National Savings to government funding.

Investment accounts contributed £65.2m and deposit bonds £18.5m, while there were small positive net inflows into the yearly plan and premium bonds.

Money has continued to drain slowly out of ordinary accounts and index-linked certificates.

The biggest negative impact once again came from fixed-interest certificates, which have become less competitive.

However, encashments of those certificates totalling £250m during April were a little less than in March, and allowing for new purchases of certificates and interest accrued the net outflow was £93m.

Car makers raise prices

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER and Vauxhall, which together control about 30 per cent of the UK new car market, are both raising their prices for the second time this year.

Austin Rover is increasing the average price of its models by 2.5 per cent, while Vauxhall is increasing the price of its Vauxhall-Opel cars by 2.3 per cent and the price of its Bedford vans by 2.8 per cent.

The price rises follow the initiative taken by Ford, the UK market leader, which is increasing its prices from today by an average of 2.5 per cent.

The last round of car price increases was in January, when most leading manufacturers raised prices by an average of 3 per cent following a series of three price rises in 1987.

The car makers enjoyed one of their most successful financial years of the decade in 1987 and most are expecting new car sales to set a record in 1988 for the third successive year.

In the first four months of the year Ford, which was hampered by its two-week strike in February, captured 36.1 per cent of new car sales, while Austin Rover took 15.16 per cent and Vauxhall 14.96 per cent.

from Bunzl at 420p a share in 1986, has for the second year running reported a downturn in profits.

Results for the year ended December show a pretax profit of £11.55 million against £12.59 million in 1986 and £13.6 million in 1985

encouraged by the strength of the pound, are showing a sharply increased interest in acquisitions in mainland Europe.

The latest figures show that their enthusiasm for the United States also remains undiminished.

JANUAR
Financial Advisers
1. Goldman Sachs Int (12
2. Morgan Grenfell (1)
3. Shearson Lehman Bros
4. Kleinwort Benson (4)
5. Schroders (3)
6. N M Rothschild (10)
7. Lazard Brothers (9)
8. Lazard Freres (16)
9. S G Warburg (2)
10. Samuel Montagu

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FINANCIAL TIMES

SURVEY

After two bleak years — caused by the sudden drop in oil prices — things are starting to look up, says **James Buxton.** Now Aberdeen and "the Grampians" are becoming keen to shout about what they have achieved and to consider how the region will fare beyond 2000

Fishermen unloading their catch at Aberdeen — though Peterhead is the region's leading port

The Grampian Region

A wealth of achievement

"GRAMPIAN AND Aberdeen have far more going for them than any other part of Scotland and, therefore, have the potential to do more for Scotland as well as themselves than anywhere else."

That testimonial, uttered last year by Dr George Mathewson when he was chief executive of the Scottish Development Agency, could easily be dismissed as one of those obligatory compliments which dignitaries pay when visiting outlying regions — especially as in this case the region happened to be the speaker's home.

Yet what he said has considerable force. In a country scarred by the decay of old industries and the dereliction of many of the towns they once served, Grampian region stands out. It is the centre of Scotland's largest single industry in terms of employment, the North Sea offshore supply industry, developed not with grants and special assistance but largely by untrammelled market forces.

But though Aberdeen and its surrounding area have in consequence become one of the richest parts of Britain — and certainly the richest part of Scotland — the offshore industry was built on an economy that was already prosperous. Before oil came, the north-east of Scotland had a strong fishing industry; Aberdeen was the centre of a fertile farming area; and there was some manufacturing. The north-east never suffered the economic body-blows which haunt new industrial development in the central belt of Scotland.

Since 1975 and the reform of local government, the north-east corner of Scotland has been called Grampian region. The city of Aberdeen itself accounts for about two-fifths of the population of around 500,000. But the region is still pleasantly balanced: good farmland stretches along the eastern and northern sides while its core is the extremity of the Grampian Mountains.

North of Aberdeen, the port of Peterhead is now the centre of the fishing industry, said to land more fish than anywhere else in Europe. Close by, some of the main oil and gas pipelines from the North Sea come ashore. Further west are the River Spey and its tributaries such as the Fiddich and the Glenlivet with the greatest concentration of whisky distilleries in Scotland. Inland from Aberdeen the River Dee leads to Royal Deeside, crowned by Balmoral.

The only time in recent years when Aberdeen and Grampian region were really tested was in 1986 when 10 years of headlong growth came to a sudden end with the halving of oil prices to under $15 per barrel. The major oil companies virtually halted exploration work overnight. Drilling rigs lay idle off the beach at Aberdeen.

The unemployment rate in Aberdeen temporarily went up to almost 10 per cent and in Grampian as a whole the number of oil-related jobs fell from 52,000 to 41,000. The oil companies and the organisations that supply them began a ruthless pruning of fat, and the Aberdeen housing market collapsed. Houses sat unsold for months and some families moving back to the south simply abandoned their properties to be repossessed by the building societies.

Though the oil price was still in the doldrums, the offshore supply industry began to recover in about May of last year as the very low rates for hiring drilling rigs brought the majors back into exploration. New oil and gas discoveries were made. Oil-related employment in Grampian is reckoned to have recovered to 44,000 by last December. A leaner offshore industry is coming to terms with the fact that though the years of headlong expansion may be gone, the North Sea has many decades of life in it.

As Mr Ian Wood, chairman and managing director of the John Wood Group, the leading locally-owned offshore services concern in Aberdeen, put it recently: "Recovery means a recovery of confidence. It does not mean a recovery to the levels of 1985."

With several new offshore projects having been unveiled in the last few weeks, spirits are now rising in Aberdeen. "There's a much better feel about Aberdeen now," says Mr Harry Tocher, an assistant general manager with Bank of Scotland in the city. He points out that houses are at last beginning to sell easily again after two bleak years.

But while Aberdonians now treat the 1986 collapse as a salutary shock from which the survivors have emerged healthier, they fear that the rest of the world still retains an image of the city created by TV programmes and newspaper articles which sometimes contained a degree of *Schadenfreude* at the city's misfortunes. A survey by Grampian Television revealed that 50 per cent of media executives in the south-east categorised Grampian region among the down-market parts of Britain. Yet Aberdeen is manifestly flourishing and even at the trough of recession its unemployment was below the British average.

Nowhere is anxiety about the area's image felt more strongly than at Grampian regional council: while in the good days it may sometimes have thought that Aberdeen overshadowed other districts of the region, it now finds itself associated with the city's unmerited new image. This is why the council, run by a coalition of Democrats, the Scottish National Party and Independents (it was formerly Conservative), has launched the Grampian Initiative.

This is an operation which cities and regions in many parts of the EC would instantly recognise: brochures, slogans, presentations, speeches and compendiums of intriguing little facts. The campaign, on which the region is spending £750,000 over two years, has even invented a new race of people — the Grampians.

The Grampian Initiative is unashamed public relations, aimed both at boosting morale in the outlying districts of the region itself, and telling people in the rest of Britain about the strengths of the area. It will hope to overcome a defect identified by Mr Derek Marnoch, chief executive of Aberdeen Chamber of Commerce, who complains: "People here are reluctant to shout about their achievements in case the man next door finds out."

Not all parts of the economy are doing well. The fishing industry, though currently benefiting from better prices, is concerned about the cause of those higher prices — falling fish stocks. The fish processing industry finds the prices hard to cope with. Farming in Grampian is suffering not only from the general depression in Europe but from the effects of very bad harvests in 1985 and again — particularly in Aberdeenshire — last year.

Manufacturing industry in much of Grampian drew an important advantage from the oil boom: the lure of the oil industry forced up the cost of labour and obliged companies to restructure long before recession forced that process on companies in the rest of Britain. Food processing companies like Baxters of Speyside at Fochabers and Walkers of Aberlour are doing well. Even the whisky industry, after several years of distillery closures, is now a little more optimistic. The paper industry is flourishing.

Even before the 1986 oil industry recession struck, Aberdeen had begun to think seriously about how it would fare in the next century. Some of the city's leading businessmen commissioned a study which considered the city's strengths and weaknesses. The result was the publication last year of the Aberdeen Beyond 2000 report which contains a series of recommendations on how the city can increase its exports of oil technology, improve the performance of its other industries and make its educational institutes co-operate more closely.

Aberdeen Beyond 2000 is chaired by Mr Ian Wood and now has its own executive. Study groups are at work delving further into different aspects of the scheme. One of the more interesting is to develop a theme park around the oil industry — provisionally labelled the Oil Industry Experience — to show people the wonders of offshore technology. It could cost between £15m and £20m. Part of the objective is to try to persuade visitors not to hasten too quickly through Aberdeen before venturing into the superb countryside beyond it.

Fishermen feel the pinch

More vessels, lower stocks

GRAMPIAN REGION is tied to the sea by more than offshore energy activity. Fishing continues to be a vital sector, providing a livelihood for some 20,000 people.

Like agriculture, however, it is an industry under threat. A shortage of white fish stocks and the imposition of quotas are causing worries far beyond the harbours.

Peterhead is the biggest white fish port in Europe, enjoying landings last year valued at £72.5m. But past overfishing is causing supply problems, particularly of haddock, with quota allocations exacerbating the problems.

Most of the vessels working from Grampian ports such as Aberdeen, Peterhead, Fraserburgh and Buckie are small "share" vessels, many family-owned, with the proceeds of the catch divided among crew members. Fishermen are feeling the pinch as more boats enter the industry — often as sons move into the business — and Icelandic and Faroese imports via Humberside reduce prices.

Fishing crews complain that, in order to make money, they must work long and hard and often travel far afield to net a satisfactory catch. Some 20 per cent of Grampian boats actually spend some of the year based at West Coast ports such as Kinlochbervie and Lochinver. The harvest is better, but it can be a vicious circle: moving merely puts pressure on fish stocks in a different area.

Mr Roddy McColl, secretary of the Scottish White Fish Producers' Association, sums up the problems. "We have declining stocks of fish, plus an increasing number of vessels. The equation is not balancing. Longer trips are being undertaken with a view to ensuring that finances square at the end of the week.

"Until now, fishermen have been making money, but it could be that 1988 sees one of the troughs which we can have in this industry," he warns, though he admits that "it's not yet got to the stage where it's not worth taking the boat out."

The pelagic fish sector, although smaller, is relatively healthy. There is a growing home demand for herring and mackerel, and the large "Klondykers," East European factory ships sited near the major Scottish ports, are keen to take the catch for consumption in their own countries.

This market, however, is dominated by specialised vessels, operating under a restrictive licensing scheme. Regulation was originally designed to ensure that stocks were protected, but there are those who claim it has merely created an elite, encouraging a trade where the licence alone can be traded for £750,000.

Those fishing boats which do land fish ashore make mainly for Peterhead. It has been the region's premier port since the early 1970s, when there was a mass withdrawal from Aberdeen because of the costs of the national dock labour scheme in the city.

This scheme, requiring dockers to be paid high rates for unloading, has restricted Aberdeen's status as a port ever since. It is still important in landing terms, with 1986 figures showing an annual landing value of more than £31m, but fishermen and fish merchants alike see it as an outdated and unnecessary restriction and want the agreement scrapped.

It is not only the fishermen who worry about low stocks. The merchants who buy and process the landings can sell out everything they can get their hands on: their main difficulty, too, lies in access to supplies.

Predictions have been made that, if they cannot get hold of more fish, jobs in this sector could fall from 4,500 to 3,500 over the next two years. The scarcity means that merchants are paying 25 per cent more for the landed product than they were last year.

There are other complaints, too. Grampian has failed to attract foreign boats for processing. These continue, for historic reasons, to use English ports, although Aberdeen merchants argue that it makes little economic sense for these vessels to lose 48 hours' fishing time by steaming to England to land the catch. So far, however, it is an argument which has fallen on deaf ears.

Serious questions also remain over the future of the Aberdeen harbour area. The city handles some 90 per cent of all Scottish fish processing and trading, but

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A paper maker's growth pains

Tait tackles big league

IN THE pretty valley of the River Don just outside the market town of Inverurie (15 miles north-east of Aberdeen) is one of Scotland's most remarkable companies.

In the past two years Thomas Tait, a family paper maker founded in the mid-19th century, has been through an extraordinary and not totally painless transition.

Thomas Tait is one of three paper manufacturers in Grampian, the others being Donside (part of a recent management buy-out from Bowater) and Wiggins Teape.

Until 1986 Thomas Tait was producing 40,000 tonnes of fine business paper a year: in 1985 it had sales of about £25m (on which made profits of £1.5m). In the ever more competitive British paper market, heavily subject to currency fluctuations and often at the mercy of large-scale competition from the rest of Europe, the company's volume was simply too small to ensure survival.

Mr Thomas Tait, the company's 40-year-old managing director, who has run the business since he was 19 when his father

At the mercy of competition from the rest of Europe

unexpectedly died, conceived a bold plan to transform the company.

The way forward, he decided, was to move straight into a much bigger league by installing a new machine that trebled the capacity of the mill to about 120,000 tonnes a year.

Tait ordered a Duoformer machine from Voith, one of the leading West German paper machinery manufacturers. A completely new plant had to be built to house it. One of Tait's two existing machines was sold, to Peru.

Choosing and acquiring the machine presented its own complexities. But more challenging was financing a deal worth about £24m – equal to the company's annual turnover.

In a package devised by Investors in Industry (3i) and the Scottish Development Agency the Tait family agreed to reduce its equity stake in the company from 55 per cent to 35 per cent. That enabled the company to attract £4m in new share capital and a further £3.5m in loan capital. Some £4.5m came in lease finance from 3i and an overdraft of £8m was secured.

As well as 3i and the SDA, the company attracted N.M. Rothschild, Kleinwort Benson, County Bank, Barclays Bank, Charterhouse Development Capital, Ivory and Sime, and East of Scotland Industrial Investments as shareholders. As Grampian is not an assisted area, no development grants were available, though the company did obtain a £400,000 grant for energy saving from the Department of Energy.

The new machine, as long as two football pitches, was an immediate technical success, reaching 90 per cent efficiency within nine months against an industry norm of two years. Last year, the first full year of operating the new machine, output reached 84,000 tonnes – a year and a half ahead of the original schedule for a steady build-up of production. Sales, which in 1986 reached £31.9m (on which it lost £667,000), amounted to £49.9m in 1987.

The surge in output was made possible by the new equipment but due to greatly increased demand for the company's products. With the pound relatively weak against the Deutschemark in 1987 Thomas Tait did well both in the British market and in continental Europe where it sold about 30 per cent of its output.

However, the financial result was disappointing because the company failed to recover a large debt from a customer in Belgium and Holland who is alleging breaches of contract. Tait has provided £2.1m as an exceptional item to cover the debt, which turned what would otherwise have been a pre-tax profit of £1.6m into a loss of £507,000.

The speed with which output has built up has forced the company to bring forward plans to invest in further downstream equipment. A sheet cutter is to be acquired this year for about £3.5m to sheet the paper – much of which currently has to be sent to other manufacturers for this process. On top of that, Tait will have to invest up to £700,000 in meeting new effluent treatment regulations on the River Don, and is also to build a new office block to replace the current rather scruffy offices.

"This investment will unblock the company's potential for prof-

The prospects are clouded by the strength of sterling

its and growth," says Mr Chris Thomson, the company secretary. It means going back to the shareholders for more money: Thomas Tait expects to raise £4m by way of an issue of debentures repayable over three to five years.

To steer the company through its expansion and build it into a bigger organisation Mr Tait has been recruiting a new team of executives. However the immediate market prospects are seriously clouded by the current strength of sterling against the D-mark which not only makes exporting more difficult but also makes the UK market more attractive for foreign exporters.

Output is expected to go up by only 10,000 tonnes this year and exports are likely to decline to about 25 per cent of sales.

Will Thomas Tait ever go public? "When the institutions came on board a commitment was given that they would consider a listing of some kind – we haven't moved from that position," says Mr Thomson.

James Buxton

Agriculture

Cold comfort from switch into cereals

MORE THAN 50 years ago, the moving story of the Grampian farmers' struggle with the land was eloquently told by the great Scottish novelist Lewis Grassic Gibbon in his classic trilogy, A Scots Quair. Today, the reality of that battle is no less dramatic. Farmers in the region have been facing grave difficulties in recent years, and there are suggestions that things may get worse before they get better.

Agriculture forms an important part of the region's non-oil economy, accounting for some 7.6 per cent of gross output and, with some 8,800 employees, 5 per cent of its employment.

Traditionally, the area's agricultural sector has been based on high quality beef. But it has seen a switch into cereals over the past few years which has been responsible for driving many local farmers to the edge of bankruptcy.

A series of excellent summers in the early 1980s, combined with better barley crops giving winter yields and guaranteed government intervention prices, persuaded many farmers to plough up their land and turn it over to crops such as barley and wheat.

In retrospect, their optimism was misplaced. Grampian, on the northern fringe of Europe, is a marginal crop production area which simply cannot support the range of produce available in the warmer climate of Southern England.

The first large-scale problem developed in 1985, when an appalling summer caused major reductions in the yield and a shudder throughout the industry. The problem eased with a good summer the following year, but in 1987 the weather was so bad that much of the crop did not even meet the quality required by the intervention stores, with barley going for animal feed or maltings at reduced prices.

In some cases, the soil was so wet that, as well as having to

Another bad summer "could force many more out of business"

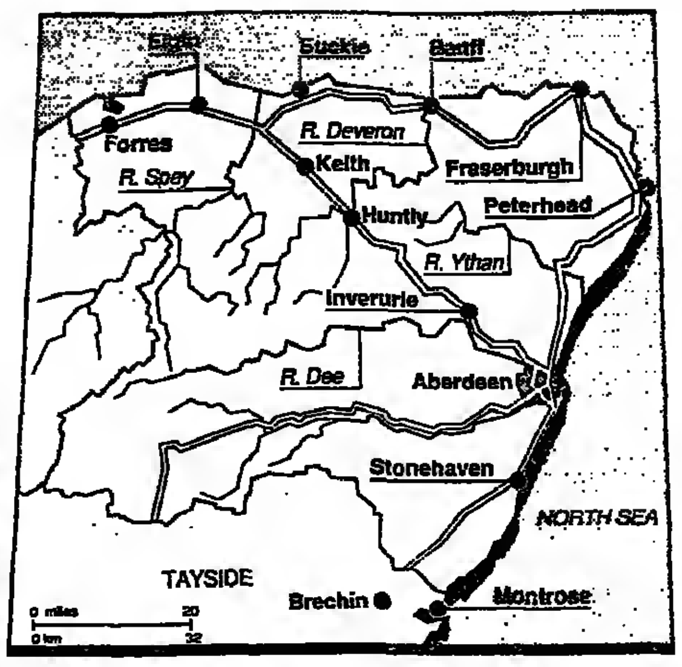
leave up to 20 per cent of their summer crops in the ground, farmers could not sow their winter harvest. Many farmers, having borrowed heavily to finance an expansion in the good days, found they had severe difficulties in repaying loans.

The crisis in the industry has hit land prices in the region, which are down to about £600 per acre, compared with £1,000 in 1981. There have been some foreclosures, but in general the banks have been benevolent, perhaps because they see little point in moving in on a diminishing asset.

Traditionally, many farmers in the region dealt with the Clydesdale Bank. However, its separation from the Midland parent and takeover by the National Bank of Australia last year led to the new owners refusing to acquire the heavy debts of some farmers, so the Midland had to step in instead. Confidence in the industry was damaged even further.

Dr Peter Millard, a research leader at the Macaulay Land Use Research Institute in Aberdeen, blames government policy for the current situation. "Even as late as 1983, they were encouraging farmers to go into maximum production: grants were available and they were actively encouraging loans.

"Then, however, they did a U-turn. They are now starting to think in terms of reducing output, by encouraging farmers to take 25 per cent of their land out of cereals or beef."



To add to their problems, farmers can no longer simply rely on correcting one bad year through a good crop in the next. Problems of overproduction mean that cereal intervention prices have dropped and payment times have lengthened.

Mr John Don, immediate past president of the Aberdeen and Kincardine branch of the Scottish National Farmers' Union and a farmer in central Aberdeenshire, believes another bad summer this year could force many more Grampian farmers out of business.

"A substantial minority of farms are overborrowed, especially where there has been expansion. We are already seeing farmers looking for a second job, or their wives seeking employment." Those with debt problems, he adds, face another difficulty: having moved out of livestock, they find it hard to get back in because of increased capital values.

Almost as important as cereals to the rural economy – with 25 per cent of agricultural output compared to the 29 per cent – is the cattle sector. There have been problems here, too, with Irish beef, taking advantage of the EC green currency system, being sold into the wholesale market below Scottish prices.

A recent improvement has, however, been perceived in this sector. The switch from cattle has led to a European shortage. Those who stuck to livestock, according to the NFU, are now starting to see the benefits.

But pig farmers are now facing lower profits, while imported meat can take advantage of the EC's monetary compensatory allowance. This downturn provides a further worry for the

Those who stuck to cattle are starting to see the benefits

cereal market, since barley is used to provide suitable feed.

Milk, now under a quota system, and sheep, popular in the region's upland areas, may soon face problems. Milk could have difficulties if price increases or quota reductions put pressure on the industry, and a tightening of government support could affect sheep farmers.

Not all, however, is doom and gloom. Many farmers, especially those with family units, tightened their belts when problems came and, with less borrowing problems, have been well able to ride the storm. They may not exactly be prospering, but they will surely live to fight another day.

Andrew Collier

Fishermen

Continued from facing page

the working conditions of some businesses, situated in old buildings and lacking the latest technology, are hardly conducive to the challenges of the 1990s.

One industry source puts it bluntly: "If a new EC document on hygiene standards is adopted, then about three-quarters of fish processors would disappear because they wouldn't make the grade."

European legislation on the issue is expected to be implemented before 1992. Partly as a result of this, the Scottish Development Agency has commissioned a study into the environment of the harbour area. The result of this survey is expected shortly, and fish traders are hoping that it will lead to the provision of a "fish park" in the centre of the processing area by the harbour, operated in conjunction with Grampian Regional and Aberdeen District councils.

Two-thirds of Scotland's landed fish is still processed in Aberdeen, and there is a growing emphasis on value added products such as recipe dishes to meet the retail switch in recent years from fishmonger to supermarket. This sector will continue to grow in importance.

Market support for fish because of healthier eating trends is not, however, likely to manifest itself in new processing employment. Lack of fish and the introduction of new technology have caused an employment drop of some 40 per cent on previous years. With depleted stocks continuing, no major jobs boost is on the cards.

Andrew Collier

THE MONDAY PAGE

Memo to Mr Baker's successor

ANTHONY HARRIS
in Washington

The grand old Duke of York
He had ten thousand men.
He marched them up to the
top of the hill
And he marched them down
again.

THE OLD DUKE got pretty near to Washington last week. Many years ago he was a dominant figure in the London bonds market, though little has been heard of him since 1982; but the nail-biting in Wall Street and Washington until the Treasury bond refunding operation was completed on Thursday brought back vivid memories. If nothing is done to head him off, he is likely to be a serious nuisance to the next Treasury Secretary.

Before we come to what the British government did about this threat in 1982, some explanations are in order. The Duke was the London shorthand for the Bank of England's tactics in managing the gilt market. The pension funds, it was thought, would only invest in fixed interest stock if they saw a better than even chance that interest rates would fall; so the Bank tended to push rates up ahead of major stock issues and maturities.

As this Duke of York manoeuvre became built into market expectations, it took sharper and sharper moves to impress investors, and rates ratcheted upwards. At the beginning of 1982 the government was paying nearly 16 per cent for 20-year money. This, it should be remembered, was at a time when inflation was clearly falling.

Last week the Fed was being rubbished for not following the same strategy. Bond analysts wanted a pre-emptive 25 basis point rise in rates ahead of the refunding. When the Fed failed to deliver, it found itself forced to impose, or perhaps simply to tolerate, a 50 point rise in the middle of the operation. This happened at a time when the news, both about inflation and about growth, was unexpectedly good from a bond market point of view. What will happen when the going gets rough?

It could well be worse in New York that it ever was in London. The average life of US Treasury bonds is much shorter than that of British bonds; so the proportion of the US national debt which has to be refunded every year is much larger. Worse, the world dollar overhang is bigger by a couple of orders of magnitude than the sterling balances ever were. Every refunding puts cash to the market, and so is a temptation to foreign investors to switch out of dollars.

The management of refunding, then, is going to be a major problem. With a weak dollar and an obstinate trade deficit, it could be a nightmare. Even if the deficit is cut, and private saving goes on improving, there will still be the problem of appealing to American investors. This is the one the Bank of England solved.

There is another important way in which New York resembles London a decade ago: the market is certain of its supply of new stock, and can easily calculate how big it will be. It can also work out the cash flow of the big investing funds. If the Government's needs looked like straining the cash flow in London, the buyers simply went on strike. These funding crises cannot happen under the US Treasury auction system, but all that means is that bond yields will rise faster when the market is weak.

What the British government did in 1982 was to diversify. It introduced indexed bonds, whose value is corrected to compensate for inflation. Instead of raising all its funds in the fixed interest market, it could tap a completely new one. Later, it also began to raise large sums in the equity market too, through privatisation.

These innovations put an end to the buyers' market in bonds: nobody knew how much stock would be issued. The result was dramatic. In the six months after indexed stocks became generally available, yields at the long end of the traditional bond market fell by 550 basis points, and this was before Mr Volcker made his big move.

The Bank of England, which had opposed indexation for many years, was delighted, and the American authorities showed a lot of interest. However, despite visits to London by US officials, and subsequent briefings from the British Embassy, Washington seems to have lost interest. This is sad, but not surprising. I should here declare an interest: I was involved in the British campaign for indexation for eight years before it happened, and I knew the counter-arguments by heart.

They use basically the same reasoning that the US Treasury uses to knock down the proposal that it should borrow in foreign currencies. To offer investors a guarantee against exchange rate risks, or inflation risks, is a seen as a confession of weakness (and, in the case of currency bonds, a reminder of President Carter). Mr James Baker, the US Treasury Secretary, takes this line, which is why this note is not addressed to him.

He is wrong. It is a sign of strength, not weakness, when a government offers a guarantee on bonds. These are investor durables, and there are rules about durables. Would you buy a car whose maker refused to guarantee it? The British government offers investors a choice of guarantees: optimists can take the cash guarantee in the fixed interest market, pessimists can have a risk guarantee through indexation. That gets the pessimists out of the bond market.

Washington currently complains about Wall Street's pessimism, so it is simply logical to tackle it head on; and British experience shows that it works. The saving on debt service cannot be calculated precisely, but it is certainly large; and debt interest is the biggest element in the US fiscal deficit now.

Incidentally, the Carter bonds would have shown the Treasury a $3bn profit if the exposure had not been hedged. Who was the wimp: the man who offered insurance, or the man who laid off the risk? The tough man is not the one who talks tough, but the one who acts confident; or, as they say in Glasgow, talk soft and wear a large hat.

Paul Craig Roberts

I owe Mr Paul Craig Roberts an extensive apology. Since he is the most prolific and aggressive exponent of supply-side economics, I have been a devoted follower of his speeches and writings for many years. Last week, I made the mistake of writing about his views purely from memory. Evidently my memory has been playing tricks: Mr Roberts says that he has nowhere expressed the views I attributed to him at a London conference in 1981, at which it turns out he was not even present. I naturally accept his word for it, and withdraw unreservedly the misdirected jokes I made at his expense.

INTERVIEW

Speaking up for basic democracy

David Dodwell talks to Martin Lee, member of the committee drafting Hong Kong's Basic Law

THERE ARE many in Hong Kong who would dearly love to cast Martin Lee as a modern-day Cavalier – a role which one irreverent history book described as "wrong but romantic".

His swashbuckling political style – and uncompromising commitment to democratic reform – has antagonised, sometimes even infuriated, the British colony's political and commercial establishment. At the same time it has won him thousands of admirers overseas and a huge silent following at home, although it has achieved almost nothing in concrete terms.

Indeed, some would say that instead of accurately articulating the fears and uncertainties of a community that will come under communist Chinese rule in nine years time, he is actually creating and incubating them.

In less than three years, this British-trained barrister has emerged from total obscurity to become perhaps the best-known political personality in Hong Kong. A combination of proselytising zeal, robust disregard for the genteel conventions of Hong Kong's Legislative Council chamber and seemingly inexhaustible energy have set him apart. He has earned the reputation of a working man's hero in some quarters and that of a dangerously destabilising menace in others.

The fact that he makes enemies through his outspokenness does not appear to concern him. "After trying rather painfully and in vain to please everybody when I was a schoolboy," he comments, "I realised that if I could not please everyone, then at least I should try to do what is right."

Unhappily for Hong Kong's establishment – which would like to dismiss him as a congenital malcontent, brimming with moral indignation and championing causes that no one backs but himself – it has become clear over the last three years that he has strong support not just from democrats in Westminster or the US Congress, but from a community that Hong Kong can little afford to alienate. This is the articulate, educated, professional middle class, who are fundamental to future stability and prosperity.

● PERSONAL FILE

1938: Born Hong Kong
1960: B.A. Hons from Hong Kong University
1966: Called to the Bar, Lincoln's Inn, London
1980-83: Chairman of HK Bar Association
1985: Elected to Legislative Council as functional constituency representative for legal profession
1985: Appointed by Peking as a member of the Basic Law Drafting Committee

To talk of alienation may appear alarmist, but as public concern mounts over the quickening pace of emigration in the run up to 1997, the date when China regains sovereignty over the British colony, it certainly cannot be dismissed.

"I don't want people to go away," says Mr Lee. "But what right have I to persuade them to stay? If things didn't work out, they would blame me for the rest of their lives. I tell them I intend to stay, and leave the rest to their personal judgement."

What he says is enormously influential. Recent surveys in the respected Chinese language newspaper, the Economic Journal, showed that he was more of a household name than any other political figure in the territory – even better known than long-serving leaders like Lydia Dunn, Sir S.Y. Chung, Selina Chow and Maria Tam. He also attracted more Hong Kong press attention in 1987 than any other local personality, with the exception of Sir David Wilson, the territory's Governor.

At the same time he is one of Hong Kong's best-known names overseas because of his success in lobbying support for democratic reform in the territory during recent highly publicised visits to the UK and the US.

The paradox is that at home his record is a list of lost causes – not least among them his failure to halt construction of a nuclear power plant in China near Hong Kong's border, and the recent failure to persuade the Hong Kong Government to introduce direct elections to the territory's Legislative Council this year.

What Mr Lee lacks in terms of practical successes, however, he undoubtedly makes up for in terms of political impact in Hong Kong. In a community where the Chinese traditions of personal dignity and respect for authority provide infertile soil for political styles considered normal in the west, Mr Lee has outraged as many as he has impressed. He has spared no one – not even the Governor – from tongue-lashings when he believes he is right.

"A lot of people in Hong Kong are refusing to speak what their hearts feel – particularly those occupying positions of influence. Their attitude is to follow the old Chinese saying 'Bow your head, make money, and go'," he says, "but they are doing a great disservice to Hong Kong. We owe it to the public to speak the truth."

For Mr Lee, this truth is that 70 per cent of Hong Kong's population have fled communism on the Chinese mainland and need the buffer of democracy if they are to remain confident in the future of Hong Kong once Peking regains sovereignty in 1997.

From the vantage point of his seat on the Peking-appointed committee that is drafting Hong Kong's post-1997 constitution, the Basic Law, Mr Lee is convinced that the practical concessions Peking has granted to implement its pledge of "a high degree of autonomy" for Hong Kong after 1987 go nowhere near far enough. Needless to say, his views are more often found in dissident annexes to the Basic Law draft than they are in the draft itself, but there is no doubt that he has become as much a thorn in the side of Hong Kong's future sovereign power as in that of the current British colonial regime.

Quite why Martin Lee was ever invited to sit on the Basic Law committee is unclear. As the son of a one-time Kuomintang General, and a lifelong Catholic, his anti-communist pedigree is strong. "I am Chinese, and I love China, but not communism," he says. "With Deng Xiaoping's promise of 'ons country two systems', and the promise of a high degres of autonomy for Hong Kong, then there is a future here – so long as we fight very hard for a democratic system that can act as an internal buffer, and provide the checks and balances we need against communism."

Cynics would say Peking wanted Mr Lee on the drafting committee merely as a token, so it could honestly say that all sections of opinion were being reflected in the drafting process. If that really was the case, then China discovered very quickly that there was nothing at all token about him. More realistically, it is probable he was respected for his sincerity and forthright approach, even though his thorough-going suspiciousness has given the Basic Law drafters a bumpier ride than they had bargained for.

Another explanation for Peking's invitation lies in the fact that Mr Lee's father, still alive at the age of 92, opted to settle in Hong Kong rather than in Taiwan when the defeated Kuomintang army fled China. "He couldn't stand the corruption among other generals around him," Martin Lee recounts, "Money was always something he treated as filthy lucre."

His father was a close friend of communist China's first premier, the urbane Zhou En-lai – so much so that for 10 years after settling in Hong Kong, he was still being asked to return to the mainland to help in China's reconstruction. The family moved home at least once a year during that period in a vain effort to evade fresh pleas.

Even today, religious affiliation is a hallmark of anti-communism in Hong Kong. While Mr Lee insists he is no longer a practising Catholic, he concedes that a childhood in Catholic schools followed by a period as a teacher in one of them, have left their mark on him. "Maybe it has provided a moral infrastructure."

Catholic links have played an important part in the organisation of his international lobbying effort, and provide the basis of some of his grass-roots appeal. While he was lobbying in London last year, the Catholic Institute for International Research and Hongkong Link, a Catholic group connected with Hong Kong's large Catholic student community in the UK, provided widespread student support for his democratic cause.

His populist appeal has alarmed both Peking and the Hong Kong's British colonial government. It has also caused agitation in the business community – dominated by the desire not to rock the boat – which is so powerfully represented at the highest level of government in the territory.

Mr Lee has ridden roughshod over local conventions of consensus politics – taking to the soap-box at political rallies, organising signature campaigns, and taking his campaign overseas when support inside the territory's main law-making body, the Legislative Council, failed to materialise.

"I knew how hopeless it would be if I continued the fight in Hong Kong alone. There was no way I could succeed without international pressure, particularly on businessmen," he comments. "If you believe in a cause, then you have to do your best to achieve it. You can't support democracy only in half measures."

If his list of failures are supposed to provide proof that he is wrong as well as romantic, then Martin Lee has not yet noticed it. "In the Legislative Council, the Government continues to win, but these are pyrrhic victories, because all the while it is losing credibility with the people it governs."

Not surprisingly, the Government's refusal to introduce direct elections to the Legislative Council in September this year was a blow to Martin Lee. Convinced that in the absence of direct elections no one on the existing council can claim to represent the Hong Kong people, he intended to stand for direct election. This was despite the solid support of the legal profession, who voted him into office in September 1985 through the existing system of indirect election to the Council.

The Government's decision means Mr Lee must wait until 1991, when a meagre 10 seats will be filled by means of direct election. Whether he will then be the same potent political force is an open question. "There is a lot of pressure from all sides – pressure to isolate me. But I can't afford to take much notice. As far as I'm concerned, I have been elected into office for three years, and I have to achieve as much as I can in the time available.

"I know that by doing my best, the whole thing still might fail. But if you don't do your best, then it surely will fail anyway. At least I can say I tried."

Press freedom and Singapore

JUSTINIAN

NEWSPAPER proprietors and their editors have been paying attention recently to a court case taking place in Singapore which touches sensitively on the control of the foreign press in English-speaking territories of the Third World. For three days last week Mr Justice Sinnathuray heard an application by the Asian Wall Street Journal challenging a decision made in February 1987 by the Minister of Communications and Information restricting the daily sale and distribution of the journal to 400 copies. The judge will give his judgment today.

Other such territories have been watching keenly to see whether the challenge by the Asian Wall Street Journal fails. The fear is that they will certainly follow suit if the Singapore Government manages to curb foreign reporting which is hostile without intervention from the courts. On the other hand, a victory for the Asian Wall Street Journal will greatly assist the advocates of press freedom in those territories where the local media is either insufficiently independent or actually under government control.

The Asian Wall Street case stems from a lengthy period of uneasy relations between the journal and the Singapore government. Since 1981 the journal has been granted annually a licence to publish in Singapore so long as editorial control remains in Hong Kong, from where the paper is managed and operated.

Over the years the journal has been a constant critic of the financial and other institutions of the Singapore Government. And it has been particularly outspoken about the legal process used to disqualify the one opposition MP in the parliament (a second MP from the Workers' Party retains his seat). The journal has been constantly attacked by government spokesmen, but it has always published letters of reply.

On December 12 1986 the journal published a report on the establishment of a second securities exchange market. It was highly sceptical about the need for the market and suggested the Government had doubtful motives. The Government described the article as containing an insidious message to the reading public of Singapore that was calculated to lower the esteem of the Government in the public's eyes. An employee of the Monetary Authority of Singapore promptly wrote a letter complaining of errors, omissions and misrepresentations of fact in the report. He also attacked the author personally for biased reporting.

Stung by the attack on one of its reporters, the journal's editor declined to publish the Government's views unless the imputations of biased reporting were removed. The editor did not – as he could have done – publish the letter suitably doctored. Instead he stood his ground, almost welcoming the confrontation which duly came in the form of the restriction order.

In August 1986 the Singapore Government passed an amendment to its Newspapers and Printing Presses Act 1974, a perfectly normal piece of legislation providing for the licensing and registering of newspapers. The amendmant was designed to empower the minister to take action if he declared a foreign publication was "engaging in the domestic politics of Singapore."

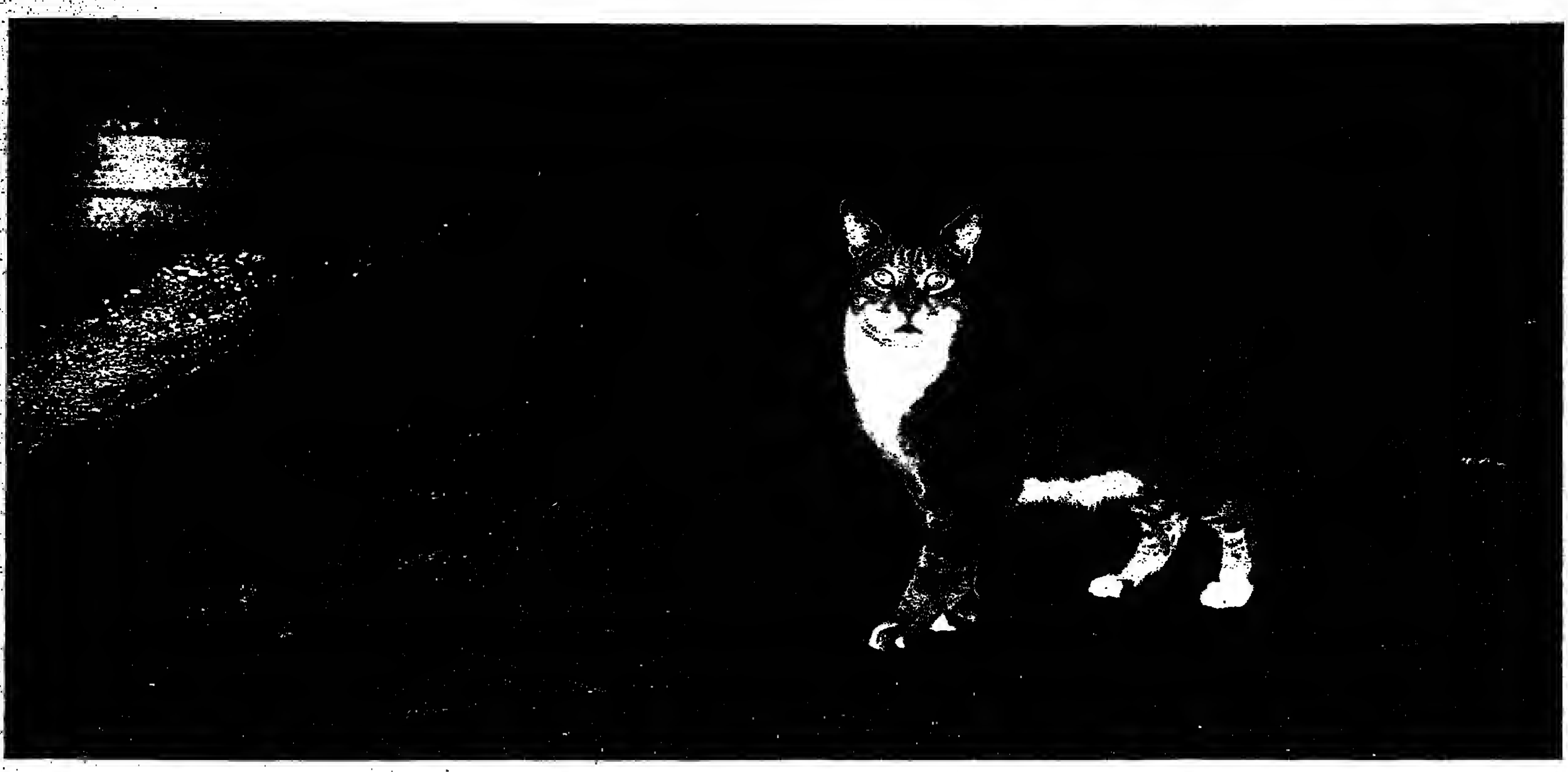
The court case turned on that phrase. The Attorney General, who appeared personally to argue the Government's case, was insistent that the courts had no power to review the minister's decision which was exercised exclusively on political grounds. As such, the minister was accountable to parliament and never to the courts, unless he acted perversely or in bad faith.

The journal did suggest that the minister's decision was perverse, in that no right-minded minister could conceivably think that a refusal by an editor to publish a letter from a government source could be engaging in Singapore's domestic politics. It would be bizarre to suggest that an official refutation of a newspaper article would, if published, be engaging in domestic politics. A refusal to do so might properly be regarded as dissociation from debate on political issues.

The journal also argued that the minister had acted in bad faith. When the minister made his decision in February 1987 restricting the journal's sale, he was at pains, in a press release and in correspondence with objectors in the international press world, to say that the failure of the journal to accord a right of reply to the Government had been the exclusive ground for his decision. So insistent has the Government been to stress this aspect of press activity that it published a document on its exchange of letters with the journal, called "the right to be heard."

But before the case came to trial, the minister tailored his reasoning. He listed a series of articles thet had appeared in the journal in 1985 and 1986 which, he claimed, indicated a past record of thoroughly irresponsible journalism that had the effect of influencing public opinion against the Government. The assertion was that any responsible minister was bound to take seriously the impact on the public of such press hostility, based on inaccurate reporting.

What is peculiar about the Singapore Government's action is its unwillingness to exercise its complete discretion about whether or not to license publication of the journal – in fact it reviewed the licence for a further year in April 1987 – and on the other hand to seek control over the journal by way of a law that offends the basic ingredients of press freedom guaranteed under the constitution. This attitude sits uneasily with the definition of a newspaper in the law as an organ of reporting and commenting on any event except "by or on behalf of the Government".



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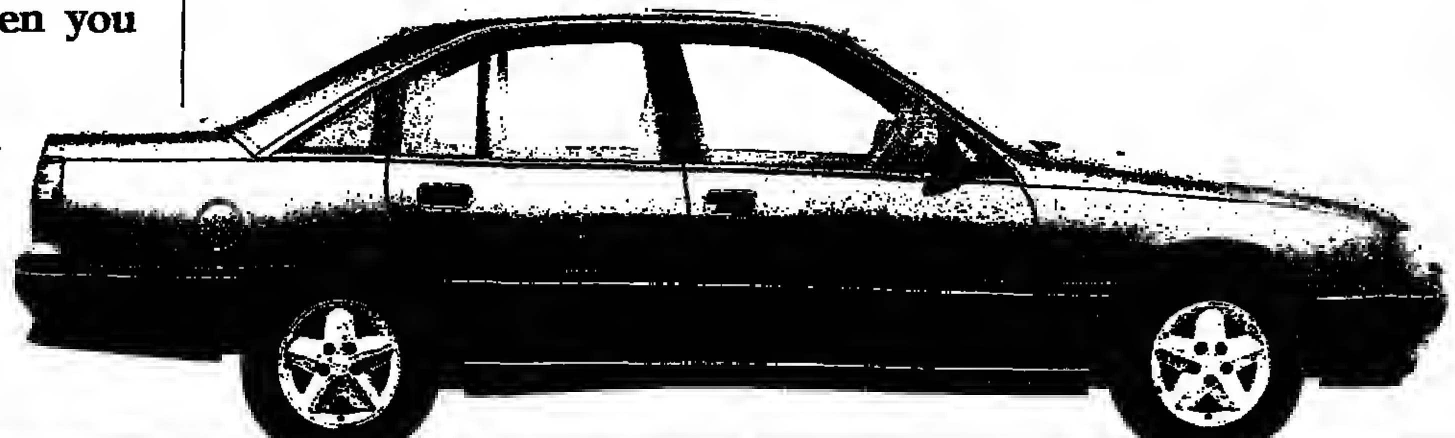

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CONSTRUCTION CONTRACTS

Better harbours in Bahamas

BALFOUR BEATTY, through its Canadian subsidiary, has been awarded a contract worth about US$50m, for the design and construction of improvements and expansion work to harbours in the Bahamas. The contract period is 24 months, and preliminary work has started.

The major element comprises the deepening and provision of four additional cruise liner berths in Nassau Harbour, together with onshore improvements to the foreshore to provide new promenades and plazas and improved Port Anthority headquarters.

When completed, Nassau Harbour will be able to accommodate the largest cruise ships, such as the "Norway" and "QE2". Other elements of the work include improvements to berthing facilities at Potters Cay, New Providence; Governor's Harbour, Eleuthra; Morgan's Bluff, North Andros and George Town, Exuma.

Over 1 million cu.yd of limestone will be dredged from the approach channel and harbour basin at Nassau by cutter suction dredgers and the new berths will be formed between substantial sheet piled walls.

The design is being sub-contracted to Stevenson and Hinchan in Toronto with Rendel Palmer and Tritton acting as marine consultants to the Ministry of Works and Utilities on behalf of the client, the Ministry of Transport.

The award follows over two years of negotiation with the client, and, with the Crystal Palace Hotel contract, this award brings the total value of Balfour Beatty work in the Bahamas to approaching $200m.

Wide range of work for Kier

KIER, contracting division of Beazer, has been awarded contracts in London worth over £22m.

These include construction of an office and residential development in Park Lane (£6.2m) for City Commercial Real Estate Investments; a ward block (£2.8m) at the King Edward VII Hospital for Officers; refurbisbment of Mullard House, London WC1, (£3m) for Philips Electronics; an office block in London EC1 (£2.4m) for Norwich Union; and a structural refurbishment contract at the Barbican (£2.4m) for the Corporation of London.

Work has begun on the restoration of St. Olaf's House, SE1, one of London's finest art deco buildings (£5.6m) for the St. Martins Property Corporation.

A sister company, Kier Moss, based in Cheltenham, has been awarded three contracts with a combined value of nearly £7m. The largest is for a headquarters building for UCCA (University Central Council on Admissions) on the St James site in Cheltenham (£3m). The traditional five-storey building has a pitched roof and reconstructed sandstone elevations. Work has started and is scheduled forcompletion by May 1989.

At Barnwood, Gloucester, Kier Moss has begun work on a design and build contract for a conference centre for the CEGB (£2.1m), and at Tewkesbury work has begun on three production units on the Ashchurch Business Centre (£1.42m) for Jermyn Properties.

Other recent awards include refurbishment of the staff restaurant at Burmah Oil's Swindon headquarters (£500,000) and a maintenance contract for British Telecom in the North Severn area (£200,000).

£25m orders for Douglas

Contracts worth over £25m have been awarded to R M DOUGLAS CONSTRUCTION. Thelargest is a £5.9m order for a high-tech office development at Croxley near Watford for Standard Life Assurance Co. The scheme will comprise 26 office units with a two-level car deck and soft and hard landscaping. A feature is an internal courtyard with a balcony at the firstfloor level.

The building will have a precast frame, brick-clad, witb a mono-pitch slated roof, with Trocol decking. Preliminary work has started and the contract is for 45 weeks.

A £5.6m design and huild contract for a 23,810 sq metres food distribntion depot at Didcot, Oxfordshire, has been awarded by NTC Properties. In addition to the depot, there will be 2,500 sq metres of offices and 4,300 sq metres of carparking space, with a further 21,400 sq metres hardstanding for lorries. Construction will be completed by May 1989.

In Surrey, Douglas has been given a £5.3m contract by the London Boroogh of Sutton to build a multi-storey car park in Camden Road, adjacent to the Civic Offices. With space for 950 cars, the car park will have an in situ concrete frame and be brick clad. Work will begin in August and last for 80 weeks.

A £3.2m office development for the Leeds Permanent Building Society at Pudsey has also been won by Douglas. The three-storey scheme which Leeds Permanent will occupy for its own staff, will be steel-framed, brick clad and with a slate mansard roof. Double-glazed, with raised floors, suspended ceilings and lifts, the building will be completed by May next year.

This month Douglas will start work on a £3.7m contract for the British CoalCorporation to build an 80m high insitu reinforced concrete shaft winder tower at theHarworth Colliery at Doncaster. With construction scheduled to last 58 weeks, the tower is to be built using a slipform technique.

The company has started work in Oakdale, Gwent, on a £1.4m extension to the Aiwa production factory. Awarded by the Welsh Development Agency, the development will include associated offices and external works.

Work will start in May on a £740,000 contract for a new McDonald's Freestander Restaurant, to be built in Cribbs Causeway, Bristol. Construction will take 21 weeks to complete.

Seven-storey block for Capital & Counties

BALFOUR BEATTY BUILDING bas been awarded a £7.7m design-and-build contract to construct an air-conditioned office building for Capital & Counties.

The building, at Mansell Street in the City of London, is a seven-storey office block with atrium. It will have a steel frame, clad with curtain walling.

The 6,000 sq.metre project will commence on site in July.

Transmission headquarters for BBC in Warwick

Projects worth about £17m have been awarded to TARMAC CONSTRUCTION. The largest, at about £5m, is for designing and building transmission headquarters offices at Warwick for the BBC.

Other schemes include a £3.6m contract for designing and building a four-storey block at Liverpool, for National Car Parks; a £2.7m contract for reconstructing about seven kilometres of the London-bound carriageway of the M2, near Sittingbourne, for Kent County Council; and a £2m contract for building a store at St. Austell, Cornwall, for B and Q.

Other contracts include shops and offices at Bicester, Oxfordshire, for Thorbourne Retail Parks (£1.4m); and estate roads and drainage at Hamble, Hampshire, for Hamble Developments (£826,000).

Several contracts have also been awarded to the company's contract housing division which specialises in building, refurbishing and modernising public sector housing.

Office projects in London

McLAUGHLIN & HARVEY has been awarded orders worth a total of £14m.

Work is to commence shortly on a £6.6m office development at Swan House, Queen Street, London EC4 for Legal & General Assurance (Pension Management). Contract period is 75 weeks.

Construction of an office building has started at 14/18 Pentonville Eoad, London, N1 for the New River Company, part of London Merchant Securities, valued at £2.9m, with completion in 70 weeks.

Work has started on two office redevelopment schemes. The first is for Roy Properties at 23/30 Leman Street, London, worth about £2m, with completion in 62 weeks. The second scheme is for Central and City Investments at 3 Babmaes Street, London, valued at £1.6m, with completion in 46 weeks.

An extension and alterations project for the Prudential Assurance Co. at 52/54 Lime Street, London, is valued at £500,000, and work is due for completion in 26 weeks.

Three office block schemes for Horton

HORTON CONSTRUCTION, Southampton, part of the Leading Leisure group, has won contracts worth more than £17m.

Orders include a £1.3m office campus development in Portsmouth, in the heart of the commercial area. St. Andrews Court is a development of seven self-contained offices totalling 28,000 sq ft awarded as a negotiated contract by Durngate Developments, Winchester. It shares a name with another Horton's project, the construction of 12 office units totalling 35,000 sq ft in Crawley. This St. Andrews Court development, for Scottish Metropolitan Property, and London Orbital Development, is worth £1.5m.

The company has won a stake in the creation of a new shopping centre at Eastleigh, Hampshire. Working with management contractor Kyle Stewart Management, Horton has been awarded a £1.7m brickwork package.

At Fareham, the company is working on a £400,000contract to refurbish a residential computer training centre for Prosig Computers. In Portsmouth a negotiated contract to design and build an office block and refurbish the Majestic Snooker Hall has been awarded by client Barry Zee.

New work includes a £300,000 contract to carry out refurbishment at Pontins holiday centre, Plemont Bay, Jersey, and 11 cottages at Wimborne.

In Cambridge

RATTEE & KETT, Cambridge, East Anglian division of Mowlem Regional Construction, has been awarded contracts worth £8m.

The seven new jobs include two on the Cambridge Science Park - the second phase of Twyford Plant Laboratories and a group of high-tech research units.

Other contracts won on tender are a £3m-plus accommodation block at RAF Mildenhall, Suffolk, and a £1.44m office and residential development in Bateman Street, Cambridge, for Trinity Hall.

GEORGE VARGA used to play inside-forward for one of Hungary's top soccer clubs, Ferenzvaros. A frequent opponent was that legendary wizard with the ball, Ferenz Puskas. The experience gave Varga extraordinary stamina and an unusual ability to think and act quickly.

Varga has honed those qualities ever since he emigrated to the US 30 years ago and went into business. Nowadays he needs them more than ever. For he is a member of one of the most tightly-stretched and fast-moving management teams in the world today: Jack Welch's crack troops at General Electric.

Under the controversial Welch, GE has been shaken to its core, mercilessly stripped back, and remoulded. From an industrial empire of over 40 businesses, mostly in related areas of electrical engineering and electronics, it has been turned by opportunistic acquisition and vicious pruning (mainly of manufacturing units) into a conglomerate-like collection of 18 generally larger businesses, ranging from aero engines and factory automation to financial services and television stations. Only 14 of the businesses are defined as "key" – the future of some of the others, including the semiconductor and computer-aided design units acquired seven years ago, is far from certain.

GE's management style and structure has changed even more dramatically than its business portfolio. From being a staid organisation noted for complex organisation, intensely thorough strategic planning, and carefully-laid actions, it has been wrenched into a much leaner and more aggressive form.

These days, its management hierarchy is much flatter and communication lines far shorter. Strategic plans, which used to be 100-page, ultra-precise documents, are much looser and slimmer – sometimes only a tenth the size. No longer the work of teams of planners in ivory towers, they are now generally formulated by line managers like George Varga, who heads GE's $225m European business in speciality plastics products.

This streamlining of the planning process, along with the new spirit of urgency which drives all Jack Welch's lieutenants, enables actions – frequently unpleasant in today's GE – to be decided in days, not months or even years as they were before.

The new GE is very far indeed from the company which in the 1960s and 1970s was a uniquely fertile breeding-ground for "model" strategy and organisation concepts which were copied across the world by enterprises of all shapes and sizes; in many cases, they are still in the process of being installed. "Strategic business units"(SBUs), "sectors", and portfolio planning techniques such as the "investment priority screen" all owed their birth, entirely or in part, to the old GE. Yet Welch's creation has either abandoned them entirely (SBUs and sectors) or downgraded them to secondary status (portfolio techniques).

What is life really like inside the new GE? Has its traditional ability to develop and sustain long-term strategias been replaced completely by a process which fosters only naked opportunism and flight from the Japanese, as Welch's many critics claim – especially since last year's sale of the $3bn GE-RCA consumer electronics business?

Or has he, true to GE's long tradition of pioneering management techniques, found an unusually effective way of running a giant, $39bn corporation almost as if he were an entrepreneur in charge of a set of recent start-ups? If his approach does work, can it outlast him? And what are tha implications for other companies, both large and medium-sized, which have copied the old GE model, or are still just starting to do so?

To the outward eye, Welch's most obvious innovation has been a radical simplification of GE's bureaucratic structure. When he took over as chairman and chief executive in the spring of 1981, the company was divided for planning purposes into 43 "strategic business units", an arrangement which had been introduced a decade earlier as an overlay across GE's established organisational hierarchy of (from the top-down) groups, divisions and departments; some SBUs were identical with existing groups, but the boundaries of most of them paralleled divisions or departments.

All 43 SBUs reported directly to GE's long-standing corporate executive office (chairman and two or three vice-chairmen).

As if this were not complicated enough, in the late 1970s an additional top layer of six "sectors" had been added to act as a filter between the corporate executive office on the one hand and the groups and SBUs on the other. The purpose of the sectors was twofold, as the chairman of the time, Reginald Jones, subsequently made clear: to spread the load on him of reviewing 43 detailed plans a year; and to help him and GE's board of directors compare the top management abilities of the six candidates to succeed him on his impending retirement; it was from this process that Welch emerged triumphant in 1981.

A third role which sectors could have played – the fostering of vital co-ordination across business units – was neither a priority nor a by-product of the new structure, insiders admit today. Yet at the time most outsiders assumed this was one of its purposes.

Many of GE's European and Japanese competitors have long been preoccupied with the need to create "synergy" between their otherwise independent businesses, by sharing technology, distribution channels and so forth; a number of large western companies have installed their own sector-type structure precisely for this purpose. They include 3M, the Scotch tape to computer peripherals group, and Procter & Gamble, the packaged goods giant.

Until recently GE's near-religious commitment to decentralisation always got in the way of the need to exploit the many such inter-relationships which can exist within a multinational.

During his first four years in office, Welch set about dismantling the unwieldy superstructure he had inherited. Though he quickly created two extra sectors – for the temporary co-ordination of several business areas as much as for the immediate career development of his chosen top executives – he dismantled the sector concept entirely in order to remove a layer of corporate management. By 1986 all GE's sectors had disappeared.

So too, a year earlier, had its sacred strategic business units – "we've expunged SBUs from our vocabulary," Jack Peiffer, Welch's senior vice-president for executive management, said at the time. Clusters of SBUs were plucked from their separate pastures and merged into what Welch calls "businesses" (most of which are roughly similar to the previous "groups", though a few are equivalent to divisions). All 18 businesses now report straight to the corporate executive office.

This is much more than just a reversion to the early-1970s relationship between the corporate executive office and the entities beneath it. For one thing, the current businesses are much larger than the groups and SBUs of those days ($2.2bn today, against under $325m for an SBU in 1975).

More important, the streamlining of GE's structure and Welch's injection of much greater urgency and informality has transformed the nature of communication at all levels, horizontally as well as vertically; one by-product has been more co-ordination between businesses.

In advance of Welch's flattening of the corporate hierarchy through the dismantling of sectors, an even more vigorous "delayering" (to use the GE jargon) had been carried out within most of the businesses. Though some had always been lean, with only four levels of management in most functions, others had as many as 10; in the case of locomotives (now part of the transportation systems business), the number was slashed back from nine to five. In addition, quite a number of jobs have been eliminated through "horizontal delayering": combining two roles into one (such as finance with administration, and engineering with production).

At the same time, Peiffer says a push has been under way to "broaden the span" of people reporting to amanager from sometimes under five to an average of as many as 12 – a target which is well above the number viewed as desirable by most companies; as many as 18 is not unusual in some parts of GE.

In European structured plastics, George Varga has seven direct reports, while two levels above him the US-based boss of GE's $2.5bn worldwide plastics and materials business has a dozen. This is partly a by-product of the fact that the business has grown fivefold over the past decade without the addition of any extra management layers.

When it comes to the consultative process of setting strategy, and theo communicating it, the top manager of one of GE's businesses is expected to keep in touch with as many as 300 of his people, down to three levels below him.

For a busy executive in charge of an international business such as plastics, that is a very tall order indeed. Among many other pressures, it requires him or her to run a punishing travel schedule, work extremely long hours, and possess a brilliant memory for first names.

Whether at that level or at Varga's, GE executives are now working at much greater stretch than ever before – those who have survived the Welch regime, that is. As Paolo Fresco, senior vice-president for international operations, puts it: "GE's culture has changed dramatically. We've moved from incrementalism to radical change, from consensus to conviction, from politeness to honesty, and from niceness to performance."

A second article on Wednesday will assess the impact of GE's dismantling of its much-copied strategic planning system.

General Electric of the US

Life under Jack Welch: opportunistic and tough

Christopher Lorenz examines the organisational revolution wrought by the US multinational's controversial chairman

IN HIS more polite moments Tom Peters calls it "management by fear", and predicts executive burnout followed by corporate disaster.

Jack Welch's style at General Electric is certainly tough and ruthless. But has life under his chairmanship become as unpleasant as Peters, the outspoken co-author of "In Search of Excellence", claims? And is he right that Welch's way of doing things will eventually torpedo the company, having destroyed many hapless executives in the process? Even if this Armageddon fails to arriva, does GE's new management style depend totally on one man?

Welch's generals and lieutenants differ somewhat in their response to Peters' allegations of fear. But they share much the same view of their leader's indispensability.

Vincenzo Morelli, chief executive of General Electric-CGR, GE's medical systems business in Europe, says that "just because Welch is such an intelligent and fearsome character doesn't mean it's management by fear. But he does scare a lot of people - even good ones."

"Welch has rid the company of bureaucracy and substituted it with a bunch of good people who can discuss strategy crisply, and push the ideas up and down," says the 33-year-old Morelli (a star consultant for the Boston Consulting Group until 1983, when he joined GE, he is now in charge of a business with annual sales of $900m).

George Varga of European plastics, who has been with GE for 25 years compared with Morelli's five, says "that stuff about management by fear is nonsense - except for people who have something to fear." But then he adds revealingly that "fear is part of any employer-employee relationship - that's normal. You have to be very competent here." The boss of an equally successful GE operation in the US admits that the word "fear" could only apply to the managers of those businesses which Welch in 1983 lined up publicly for possible sala (several have since been divested), but he says: "I look on it more as realism."

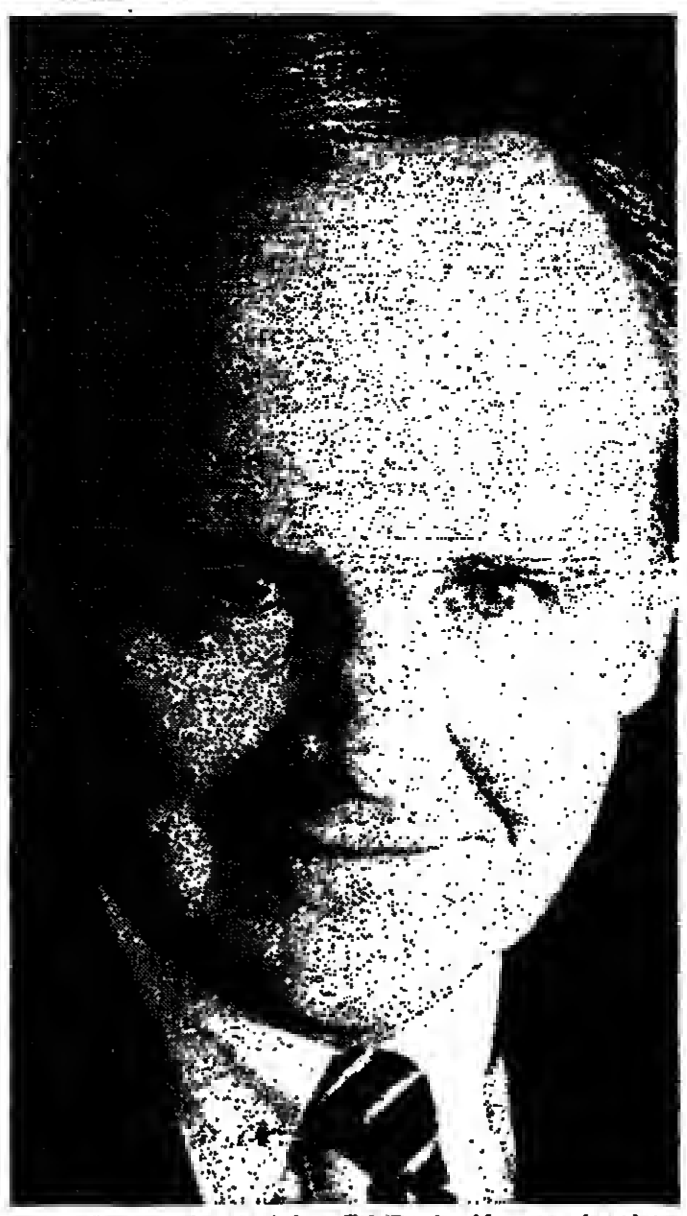
Varga and Morelli both doubt whether GE could be run in quite the way it is by anyone other than Welch - and, by implication, whether another company could borrow GE's current management style. Says Varga: "It fits his intellectual capacity, and might not fit someone else's." He stresses that "Welch doesn't meddle – but he has a tremendous ability to absorb, remember, grasp quickly – and ask searching questions."

"The system works well only because of one person – Welch," Morelli says frankly. "He's phenomenally smart, with an amazing memory, and he sees through things. He's an intuitive strategist, with a very good feeling for strengths and weaknesses. He has a sharp financial mind. He understands technologies easily. He's capable of communicating right down through three levels. And he has the ability to manage 18 different businesses. He's a unique phenomenon." All the same, Morelli thinks Welch is aware that his style could not stretch to the management of many more businesses within GE – a factor that will presumably influence the company's future growth and divestment programme.

Without Welch, says Morelli, "we'd have to put in a whole bunch more systems, with a more pro-active central staff and more precise and complex procedures. We'd miss his synthetic and organisational ability."

Larger but leaner

	1981	1987
Revenues	$27.85bn	$39.31bn
Net earnings	[illegible]	$2.91bn
Employees	404,000	302,000
Number of business units / businesses	43	18
Average revenues of units / businesses	$650m	$2.2bn



Jack Welch: Just because he's an "intelligent and fearsome character doesn't mean it's management by fear," says a colleague

APPOINTMENTS

Swiss bank re-assigns top executives in London units

UNION BANK OF SWITZERLAND has restructured its London units in preparation for the merger of Phillips & Drew and Union Bank of Switzerland (Securities), and the move to Broadgate. From August 15 Mr Budolf Mneller, executive vice president UK, in addition to his regional duties, becomes chief executive officer of Phillips & Drew and of Union Bank of Switzerland (Securities). This coincides with the retirement from executive duties of Mr Bryce Cottrell, who will remain chairman until the companies have formally merged, and with the appointment of Mr Armin Mattle as head of the capital market financing department at head office in Zurich. In the new joint company Mr Mueller will be chairman and chief executive officer. Mr John Lewis, head of bond division, Phillips & Drew, becomes vice chairman, bonds; Mr Nicholas Byan, managing director of secondary market activities at UPS (Securities), becomes managing director and deputy head of division. Dr Paul Neild becomes vice chairman, equities, in the new company. Mr Stephen Brisby becomes vice chairman, corporate finance. From June 1 he will be managing director of primary market activities at UBS (Securities).

★

Mr Martin Meech has been appointed property director of HALFORDS, a member of the Ward White Group.

Hardware group picks president

THE BRITISH HARDWARE FEDERATION has chosen Mr Hugh A. Gibb Stuart to be its next national president.

★

Mr Martin R. Bradley joins HOTWORK INTERNATIONAL as group financial director from Peat Marwick McLintock where he was a senior manager. Mr Peter Tarrant has been appointed managing director of Hotwork Development.

Chairman for Sand & Gravel Association

A NATIONAL chairman has been chosen at the SAND & GRAVEL ASSOCIATION. He is Mr J.S. Ornsby, who succeeds Mr Terence Higgins, who in turn has become president.

★

Mr D.J. Lavers has been appointed a director of GERRARD & NATIONAL SECURITIES.

★

ROYAL TRUST BANK has made the following promotions: Mr Michael Townsley to divisional director, commercial lending; Ms Joy Griffiths to divisional director, residential mortgages; Mr Steve Jenkins to senior manager, commercial lending; and Mr Steve Barlow to senior manager, corporate finance.

★

THE AUTOMOBILE ASSOCIATION has appointed Mr Bob Sinclair as regional director, Midlands and East Anglia, following the retirement of Mr Tony Bull. Mr Sinclair was assistant regional director, South East.

★

Mr Richard Barber, editor of TVTimes, has been appointed to the board of INDEPENDENT TELEVISION PUBLICATIONS.

★

Mr John Brown has been appointed director of ALBANY LIFE'S new company representative division, with Mr Nigel Lister as his deputy. The division will provide financial services support for estate agencies.

★

Mr Robin Wilson has been appointed chairman of TRAVERS MORGAN. He was a senior partner. Appointed directors are: Mr Keith White (currently president of the Institution of Structural Engineers), Mr Chris Holland, Mr Brian Horne, Mr Mike Crocker, Mr David Tayler, Mr Mike Springett, Mr Jack Moffett, Mr Robert Rummey, Mr Stephen Hoyles and Mr Piers Brogan.

★

CRANFIELD INSTITUTE OF TECHNOLOGY has appointed Mr Norman J. Hunter as director of public affairs. He was head of public affairs for British Rail Engineering. Mr David Johnson has been eppointed managing director of Cranfield Aeronautical Services. He was production director with Dan Air.

★

A.T.KEARNEY has appointed Mr Jocelyn Hartland-Swann as director responsible for information management. He was with Ingersoll Engineers.

★

From July 1 Mr J.M. Guerin, managing director of Wavin Industrial Products, has been appointed to the central management (main board) of the WAVIN GROUP in Holland. Mr W.G. Hadfield, sales director, becomes managing director of Wavin Industrial Products. He is succeeded as sales director by Mr J. Mitchell, business manager of subsidiary Wavin Cel, a post he retains.

★

Mr Thomas Stephen Corrigan has been re-appointed chairman of the POST OFFICE USERS' NATIONAL COUNCIL until March 31, 1992.

★

Mr D.O Kinloch, Mr R.J.K. Muir and Mr D. Farley have been appointed directors of ANGLO AMERICAN AGRICULTURE. Mr Kinloch is a director of Caledonia Investments, with 16.02 per cent of the ordinary share capital; Mr Muir is a director of James Finlay, with 12.5 per cent; Mr Farley is chief executive of Colly Farms Cotton.

★

Mr Brian Neale, finance director of Carless Exploration, has been appointed finance director of CARLESS, CAPEL & LEONARD in succession to Mr Nicholas Mardon Taylor who is leaving to pursue other interests.

★

HAMBROS BANK has appointed the following directors: Mrs J.C. Cowell, Mr N.H. Craig-Harvey, Mr D.H. FitzHerbert, Mr P.J. Goodey, Mr R.A. Goodwin, Mr C.E. Hambro, Mr J.D. Hicks, Mr A.W. Munro, Mr A. Perry and Mr N.H. Scott-Barrett.

★

Mr Richard Noble, managing director of Booth Concrete, has been appointed chairman of the CONFEDERATION OF CONSTRUCTION SPECIALISTS.

★

Mr Robert Guy has been appointed chairman of THE LONDON BULLION MARKET ASSOCIATION.

★

Mr Brian Burwash has been appointed company secretary of CORK STREET SECURITIES, and Mr Paul Buchanan-Barrow has been appointed managing director of Goddard Kay Rogers & Associates, a subsidiary.

★

Mr Keith Ashworth-Lord has been appointed a director of Manchester-based stockbrokers HENRY COOKE LUMSDEN.

★

NORWICH AND PETERBOROUGH BUILDING SOCIETY has appointed Mr Terry Hefford as general manager (finance). He was financial controller at Nationwide Anglia Building Society.

★

Mr Steve Luxton has been appointed director and general manager of TRIDENT CONSERVATORIES, a new company in the N & P Group. He was a director of N & P Windows.

★

ABBEY LIFE has appointed Mr Christopher Nutt as assistant executive director, client services division. He was manager, operations and systems department, home division, Sun Alliance.

★

Rear-Admiral Robin Hogg has joined the board of OXLEY DEVELOPMENTS COMPANY as a consultant director.

★

Mr Andrew Young, chief executive of the N.F.U. Mutual & Avon Insurance Group, has become chairman of the MUTUAL INSURANCE COMPANIES ASSOCIATION. Mr R.A. Deacon has taken over as secretary.

Architecture/Colin Amery

In remembrance of things past

It is impossible to start any column about architecture this week without a note of mourning. The fire which burned fiercely last Tuesday destroyed much of the interior of one of the most beautiful things in the City of London, Christopher Wren's church of St. Mary-at-Hill, Lovat Lane off Eastcheap.

It's very simple and plain exterior gave no hint of the splendours inside. Wren rebuilt the East end and the interior after the Great Fire (although the old tower and the West end were not rebuilt until much later) and gave this church one of his most interesting plans, based on the Byzantine quincunx. From the ground arrangement of a Greek cross, a central dome rests on four fluted Corinthian columns; broad arches mark the transepts and the East and West ends.

One of the most remarkable things about this church, standing as it does in one of the thankfully-conserved streets of the City, was its untouched interior, full of atmosphere and wonderful wood. The high box pews had survived (the only ones to do so, until now, in a Wren church) and above them floated the West Gallery. The pulpit with a sweeping curve of stairs stood before the original reredos, which even in its fire-blackened state has such a strong classical presence.

The church was full of good carving, some of it Victorian but so good as to be indistinguishable from the work of Wren's time. Wrought iron sword rests, good hatchments, fine Stuart Royal Arms, and a particularly interesting Resurrection sculpture of about 1600 were just some of the fine contents of this church. It is vital that it is restored as soon, and as accurately, as possible, although it will never be possible to recapture its extraordinary atmosphere. John Betjeman wrote a poem about it – rather mocking an imaginary verger with archaeological pretensions – but he saw its beauty and would have been the first to mourn its passing.

*

At Burlington House the annual artistic rites of the Royal Academy are under way at the Summer Exhibition. This year the well-filled architecture room is curiously more interesting for the work of the dead than of the living.

Three distinguished Academicians died during the last year: Erno Goldfinger, Maxwell Fry and Sir Ove Arup. Of the three the most important and influential by a long way was Sir Ove Arup, and this small tribute to him by his fellow academicians is touching and important.

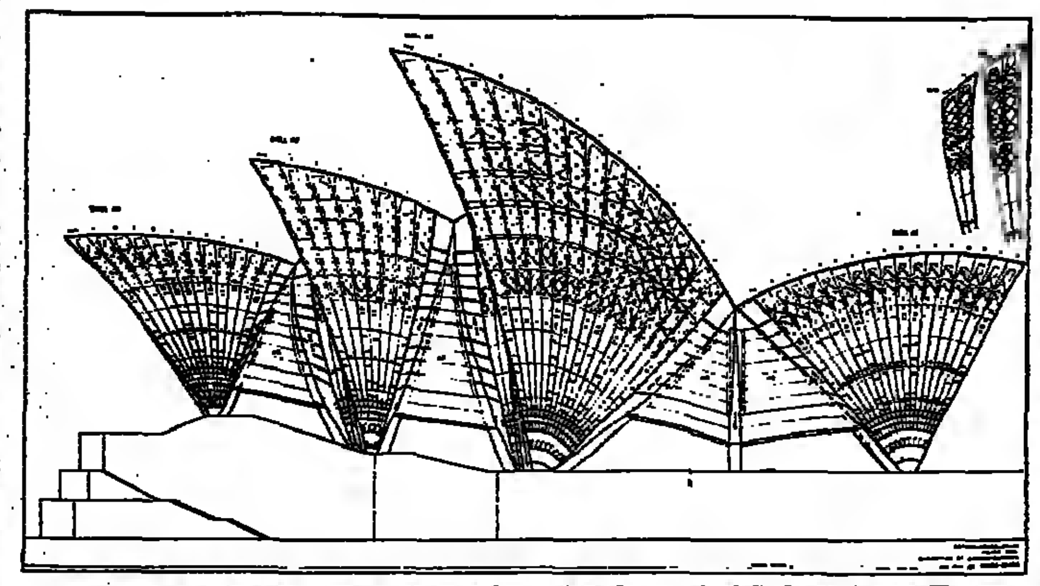
Ove Arup was not an architect, but he gave his name to one of the most distinguished architectural practices in Britain. He was born in Newcastle in 1895 and educated in Denmark. He had an unending curiosity about life and the universe and, not insignificantly, decided to study philosophy before he became a structural engineer. His broad views always helped the achievement of other designers and architects.

The role of the structural engineer has to be selfless one; good collaboration is the key. He put it well himself when he described the reason for the establishment in 1963 of Arup Associates, Architects and Engineers as a separate entity from the consulting engineers: "When engineers and quantity surveyors discuss aesthetics and architects discuss what cranes can do we are on the right road."

At the R.A. he is represented by relatively modest schemes that meant a lot to him. His footbridge spanning the River Wear at Durham between the University and the cathedral is still both daring and elegant. The wooden model of the shells of the roof of the Sydney Opera House is a reminder that only truly simple shapes are beautiful. His chess set gave him a lot of pleasure, and it was right to include the Snape Maltings, although he was less directly involved there.

The Maltings embody a kind of spare English modernism, that mixture of Scandinavian and Puritan influences which Arups has made especially its own. The bust of Sir Ove Arup (by Diana Brandenburger) looks through its spectacles at the confused field of contemporary architectural design with a puzzled tolerance; it is almost as though he is saying: "Well, one day they will all grow up . . . ."

Maxwell Fry was also a pioneer, even though his work with Gropius, and later with Le Corbusier in India, made him an attendant and disciple of greater geniuses. To look today at his Sun House at Frognal that is in the R.A. makes it hard to understand the difficulties he had at the time. Undoubtedly he was the missionary in England of the International Modern Movement – be always said that he was in favour of a clean sweep of historical and associational references. And yet his own work was always *derivative* from the masters of modernism. However, his work in India and West Africa remains important in the annals of British modernism.



Ove Arup's design at the Royal Academy for the roof of Sydney Opera House

The same can indeed be said of Erno Goldfinger who was born in Hungary in 1902 but became a British citizen in 1945. His work here is firmly in the tradition of the Modern Movement – the offices for the Ministry of Health at London's Elephant and Castle and the Trellick Tower in North Kensington are two of the most prominent examples. There is about his work, the salon for Helena Rubinstein of 1927 in particular, an European stylishness not shared by some of his more dogmatic British contemporaries.

The works of the living architects at the R.A. are shown in a crowded and rather muddled fashion. There are plenty of models, but the most clearly shown scheme – and this must not be seen as special pleading – is Michael Hopkin's Bracken House proposal.

A visitor from another planet would be hard put to identify any stylistic stability in the architecture room, and it's also a difficult task for architectural critics living on the same sphere. All I will say is that if architecture is in a *state of transition* and the outcome is uncertain, then you should look at the paintings.

The great value of the modest displays of the work of the three dead academicians is that they do show, whatever we may think of their work or their approach, a clear standard and certainty. This may come again when the necessary confusion leads, as it will, to development.

Married Love/Wyndham's

Michael Coveney

Peter Luke's tedious biographical drama is something of a protective barrier between the *amazing* life of the birth-control pioneer Marie Stopes and an audience's enjoyment. A great barrier sheath, you might say. In fact, Mr Luke pulls out all the Stopes in risking no unwanted consequences, such as gaiety, insight or theatrical flair.

Theatrical stodge, yes. The great impression Isadora Duncan made in Munich on the brilliant palaeontologist studying there is reflected in the device of a winsome balletic alter ego (Fiona King) who combines the two functions of hinting at depths of animal and poetic sublimity obviously beyond Susan Hampshire and of helping her out with her costume changes. The famous 1923 trial in which Marie Stopes initiated proceedings for libel against a fanatical Catholic doctor is staged by director Joan Plowright as a ploddingly butchered transcript of a candescent public occasion.

Marie Stopes is so thoroughly documented, chiefly by herself, that a scissors and paste job like this, with no dramatic viewpoint, is entirely superfluous. For an entertainingly incisive resumé, there is Ruth Hall's 1977 biography. Otherwise, I fear we need Ken Russell to do her justice. As Shaw rightly supposed, she has done more good for women this century, as a practical suffragist, than any convocation of politicians or philosophers.

John Moffatt is on hand to supply a doughtily accommodating GBS even more susceptible to sensible feminine argument than was Ray McAnally in *Best of Friends*. He thinks of Marie as his Saint Joan, Eliza and Mrs Pat rolled into one. The idea of creating dramatic ignition out of the trial scene (in the same year as Shaw's religious, mystical masterpiece) is briefly contemplated and timidly abandoned.

It is sheer padding to have Marie falling in and out with the Japanese botanist Fujii, a married man, in Munich. We know she will never mount Fujii. She remains a virgin even beyond her first marriage (another dud episode) and remained in this unaltered state until well after publication of the book which made her world-famous.

Married Love – how unenticing that is as a play-title – belied her sexual inexperience by sensationally, for 1918, proposing that marital problems often stemmed from the ignorance and insensitivity of men. It also made pioneering use of physiological terms, otherwise known as "dirty words." It now reads like D H Lawrence in his most excruciating vein.

It is therefore ironic that Mr Luke chooses only to point a limp accusatory finger at Marie Stopes's own personal shortcomings in love, married or otherwise. He gives her no credit for being an outstanding scientist (in 1905 she was the youngest Doctor of Science in Britain) and only the sparest acknowledgement of her cataclysmic social contribution in the clinic she founded in 1921 out of practical, socialist fervour.

Bunny Christie's design of grey classical pillars, dominating picture frame and a large submissive statue, is far too good for the play, or is possibly a design for something else. There is lively quickchange character support from Jennifer Piercey, but Moray Watson as the moralistic doctor and prosecuting counsel has one of his dullest days.

Susan Hampshire is earnest and squeaky, but that is hardly surprising when Mr Luke saddles her with limp anecdotal case histories when she is supposed to be rabble-rousing in the Queen's Hall. That puts, to quote the lingo of the day, a real rubber check pessary on the proceedings.

Alastair Muir

Susan Hampshire and John Moffatt

Goehr's Triptych/St Marylebone

Max Loppert

The London International Opera Festival, currently in progress, is proving to be a stimulating enterprise – a chain of out-of-the-ordinary operatic events that link up to enlarge the conventional image of the medium. The festival's aim was certainly fulfilled by the collaboration with the Royal Academy of Music opera school over two performances of Alexander Goehr's music-theatre Triptych given at St Marylebone Parish Church at the weekend.

The component parts of the *Triptych* – *Naboth's Vineyard*, from 1968, *Shadowplay* and *Sonata about Jerusalem*, both from 1970 – are short, gripping pieces, economical and wrily thought-provoking in tone; they have proved to be three of the most durable and substantial products from that exciting period, two or so decades ago, when the whole notion of music-theatre was being explored.

Goehr's conception of music-theatre draws on various inheritances and influences – particularly those of Japanese theatre, Brecht, Hindemith (whose little *Lehrstück*, on a Brecht text, is the immediate antecedent), Stravinsky (in the terse, lapidary use of chamber forces), and Monteverdi (whose dramatic madrigals supply the terms of reference for the recitative-dominated form). Each of the three pieces operates in a mode of highly stylised detachment – the juxtaposition of Latin and English texts in *Naboth* makes this the most "distanced" experience of the three. Each of the works proposes, as it were, a main point for discussion and argument: *Naboth* is a parable about greed, *Shadowplay* a Platonic extract given stage representation, *Sonata* a miniature (and richly ironic) miracle-play on the subject of Messianic delusion (an area to which Goehr was to return, many years later, for his opera *Behold the Sun*).

What emerges from stagings so bold and theatrically alert as those by the RAM forces directed by Lucy Bailey is, above all, the musical vividness and richness of these three works. It is as if the very formal constraints that Goehr imposed himself acted to encourage the freedom of invention and colour range for which his music is not often noted. The breadth of expressive delineation in *Sonata* (created by contrasting a fervently euphonious female chorus with a drily detached male narrator) achieves remarkable grandeur in a small space. *Shadowplay*, which in description sounds unpromisingly costive and arcane, is one of the most beautiful of Goehr scores, individual in its sound-world (tinted by alto flute and alto saxophone), full of flickering-light effects and floating textures of graphic suggestiveness.

It's clear that in the music-theatre medium Goehr found a way of reconciling musical and dramatic aims seldom paralleled in our day; these works seem built to last. The staging, which made a virtue out of limitation, used the same basic box-set in three different formations – and (in spite of some jarring details) each revealed a wit and skill that hit home. All of the student singer-actors were first-rate; the instrumental ensemble was conducted by Nicholas Cleobury (*Naboth* and *Sonata*) and Rupert D'Cruze (*Shadowplay*).

Russell of The Times/Riverside

Martin Hoyle

William Howard Russell, the first great war correspondent, lived in that distant age when a journalist could topple a cabinet for reasons unconnected with sex, when a Unionist could regard southern Irish sufferings with compassion, and when one could still be a Conservative and a gentleman.

Consistently critical of the imperialist theme, his reports on the Irish famines and the Indian Mutiny still make jolting reading. His accounts of the ineptitude of the Crimean War and the initial rout of the North in the American Civil War aroused the wrath of the establishment on both sides of the Atlantic. His career also took in the Franco-Prussian War, the Commune, a Zulu war, Egypt, and the Prusso-Danish clash over Schleswig-Holstein.

Understandably, the latter is given a discreetly wide berth by James Hayes, actor/director in this one-man lantern lecture, an Educational Touring Project from the National Theatre sponsored by today's descendant of Russell's Thunderer. Ireland, India and Abraham Lincoln make up the bulk of the near two hours' (including interval) traffic – or rather standstill – of the stage. Tim Goodwin's excellent study notes are actually more interesting than Mr Hayes's delivery, unvaried except when slightly halting. Against the background of a tent, with folding table and chair and a trunk containing the odd prop like a panama hat, the actor accomplishes a feat of memory that is dutiful rather than exciting.

Perhaps to avoid blunting the impact, Mr Hayes, who also compiled the show, avoids making a chronological whole and the result is disjointed. Even in the chosen material there are surprising gaps – no mention of Florence Nightingale in the Crimean section, for example. The sensibilities of education authorities are respected by his fence-sitting disclaimer that, though not doubting their truth, he *never actually* saw any proof of the allegations of Indian atrocities – but you have to be sharp-eared to realise that the account of a British atrocity against an Indian is similarly second-hand. As Mr Hayes presents him, Russell would be a BBC producer today. But probably not tomorrow.

London Symphony/Barbican Hall

Richard Fairman

It seems the gates have been thrown open for Soviet musicians to come and find an audience in the West. Since the policy of *glasnost* was introduced, there has been an ever increasing stream of Soviet visitors, promoting their country's most notable talent at the same time earning some hard currency that will no doubt be welcome when they return home.

At the London Symphony Orchestra's all-Russian concert on Friday both the soloist and conductor were new to London audiences. The violinist Vadim Repin is still in his teens, the winner of the 1982 Wieniawski Competition in Poland and part of a direct line of great Russian virtuosos: but on this showing it seems improbable that he would have been promoted so hastily in an age when every Soviet export was thoroughly vetted.

His performance of the Chaikovsky Concerto was the most unloveable I can remember. This was essentially the sort of playing one would expect to hear from a leading student of the conservatoire, who sets about a score determined to show off every facet of what he can do. We heard double-stopped sixths, carefully placed harmonics, rattling fast scales and vibrato-laden long bowing – but of music there was precious little sign.

The conductor was Valery Gergiev, who at least managed to keep with his soloist in the concerto and may also have shared his views on it, for he returned after the interval to give an account of Rakhmaninov's Second Symphony that was in much the same vein. On a night when the LSO were on top form, this might have worked as a "thrills-and-spills" performance, but as it was it merely sounded gratuitously noisy and over emotive.

The pair afford a hitherto rare opportunity to sample Soviet musicians in the early part of their careers, and widen our appreciation of the country's musical life. At least these days we can watch them develop.

The Government Inspector/Richmond

Martin Hoyle

Sir Anthony Quayle's touring Compass Theatre is at Richmond's charming if leg-constricting theatre on Richmond Green. Don Taylor's production of Gogol's satiric mauling of small-town corruption in Tsarist Russia is straightforward, raises a few laughs, but runs out of breath three quarters of the way through.

The role of the penniless clerk, who is taken for a government official by the venial and brutal local bigwigs and feathers his nest accordingly, is entrusted to Paul Rhys. This young actor, a rather mannered romantic lead in Shakespeare in the past, has all the technical equipment for eccentric comedy. His performance is calculatedly physical, a blend of Maggie Smith at her most attenuated and double-jointed and Robert Lindsay's meticulously worked-out sags, prat-falls and double-takes from *Me and My Girl*. "Please sit down," he invites a visitor; and his arm shoots up in a Concorde take-off before diving vaguely in the direction of the sofa in a helpful indication of where to park.

His drunken fantasising about a grand life and meteoric career in St Petersburg is feverish; near-hysterical wish-fulfilment that marks him as a not too distant cousin of such Russian obsessives as Pushkin's Herman or Dostoyevsky's Gambler. Characteristically of the production, a feeling of actual *humour* is absent. Mr Rhys ultimately tries too hard, or is directed too hard, in nasally drawling, collapsing on to furniture with legs stiffly unbending like a toy soldier, or treading in waste-paper baskets. But it's all a bit solemn.

Against serviceable sets (David Cockayne) whose wings of wooden fences and huts swivel to become interior doors and windows, and in appropriately caricature costumes (Allan Watkins), the rest of the cast works with a will but lacks the buoyant comic spirit. It's sad to see such players as Judy Cornwell longing for firm direction, shouting and flouncing in a vacuum. The gallery of accomplished character actors includes Tim Preece, a spindly black-clad postmaster, positively Dickensian, whose wrist and shin protrude from his shrunken bombazine; Brian Murphy, rather thrown away as the impostor's servant; Wolfe Morris; Timothy Bateson; and a fine Tweedledum and Tweedledee act from Roland MacLeod and Philip Manikum (resembling Donald Pleasance) as the rival landowners, a couple of malign Cheerybles.

Sir Anthony himself is the Mayor, insufficiently callous or greedy and at times a trifle mechanical, but always in character. At the climactic moment, the messenger who brings news of the *real* Government Inspector's arrival to the dumbfounded dupes is unforgivably masked by an inept piece of production and, though placed centre stage, was invisible to me. Followed by a giant blow-up projection of modern faces (victims? predators?), the scene suggests that the director hurried through the play's conclusion, uncertain how to end it.

New post for Groves

Sir Charles Groves is to become music director of the Leeds Philharmonic Society with effect from June 1. He succeeds Sir Charles Mackerras who recently completed three years as the society's music director.

Arts Guide

May 13-19

Music

LONDON

Royal Philharmonic Orchestra, Beaux Arts Trio. Conducted by Kurt Masur: Beethoven. Royal Festival Hall (Tue). (928 3191).

Opera 88, Mozart's The Abduction from the Seraglio. Elizabeth Hall (Tue, Wed).

Philharmonia, conductor Rafael Frühbeck de Burgos with soloists Elizabeth Gale, Jean Rigby, James Bowman and Jonathan Summers: Mendelssohn, Orff. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra, conductor Kurt Masur: Mozart, Bruckner. Festival Hall (Thur).

VIENNA

Wiener Symphoniker, conductor, Horst Stein. With soloist violin, Isabelle von Keulen: Saint-Saëns, Bruckner. Musikverein. (Fri, 19.30) (65 81 90).

The Chamber Orchestra of Europe, conducted by Friedrich Gulda: Mozart, Gulda. Konzerthaus. (Sat, 19.30) (72 12 11).

Vienna Philharmoniker, Claudio Abbado conducts Beethoven, Schubert. Musikverein. (Sun, 11.00) (65 81 90).

The Arnold Schoenburg Choir, conductor, Nikolaus Harnoncourt. Soloists, Angela Maria Blasi, Yvonne Kenny, Jadwiga Rappe, Hans Peter Blochwitz, Robert Holl: Bach. Konzerthaus. (Sun.19.30) (72 12 11).

The Alban Berg Quartet, Beethoven. Konzerthaus. (Mon, Tues. 19.30) (72 12 11).

Neues Wiener Vocalensemble, Conductor Peter Altmann: Hassler, Bach, Mendelssohn, Von Einem. Musikverein. (Wed. 19.30.) (65 81 90).

Wiener Symphoniker, Conductor Erich Leinsdorf, Soloists Brigitte Poschner, Gabriele Sima, Cornelia Kallisch, Klara Takacs, Peter Schreier: Schumann's Faust. Konzerthaus (Wed, Thurs, 19.30.) (72 12 11).

The London Fortepiano Trio, CPE Bach, Haydn, Mozart, Beethoven. Musikverein (original instruments). (Thurs. 19.30) (72 12 11).

PARIS

Nouvel Orchéstre Philharmonique, conducted by C. Badea, Jennifer Jones, soprano: Wagner, R.Strauss (Mon) Radio France, Grand Auditorium (42301516).

Roland de Lassus Choir, Orchéstre Français d'Oratorio, conducted by Amaury du Closel: Mozart, Beethoven (Tue) Saint-Roch Church (42619326)

Ensemble Orchéstral de Paris' Soloists, Brahms, Schubert (Tue) Salle Gaveau (45632030).

Orchéstre De Paris, conducted by Esa Pekka Salonen, Brigitte Engerer, Piano: Sibelius, Grieg, Nielsen (Wed). Salle Pleyel (45630796).

Maurizio Pollini, Piano: Liszt, Schubert (Tue) Salle Pleyel (45630796).

Orchéstre Nationale de France, conducted by Georges Pretre, Michael Rudy, piano: Prokofiev, Landowski (Thur) Radio France, Grand Auditorium (42301516)

Orchéstre de Paris, and Ensemble Intercootemporain conducted by Esa Pekka Salonen: Lindberg, Schönberg, Nielsen (Thur) Salle Pleyel (45630796).

Louvre Musicians, conducted by Marc Minkowski: Rameau's Platée in concert version (Thur) Opera Comique (42448439).

NETHERLANDS

Amsterdam, Concertgebouw. Piano recital by Jorge Bolet: Mendelssohn, Beethoven, Franck, Bellini/Liszt (Mon). Anton Kersjes conducting *the Netherlands Philharmonic with* Emmy Verbey, violin: Beethoven (Tue). The Amsterdam Promenade Orchestra under Marting Kamminga, with Thea van der Putten, soprano, Wout Oosterkamp, bass: Brahms, Stravinsky (Thur).

Amsterdam, Recital Hall. Raphael Quartet: Schubert, Shostakovich, Beethoven (Wed) (718 345).

The Hague, Philipszaal. Anton Kersjes conducting the Netherlands Philharmonic with Emmy Verbey, violin: Beethoven (Thur) (60 98 10).

NEW YORK

Alfred Brendel, piano recital: All-Schubert programme (Mon, Thur) Carnegie Hall (247 7800).

Detroit Symphony Orchestra, Gunther Herbig conducting, Emanuel Ax, Schöoberg, Mozart, Beethoven (Tue). Carnegie Hall (247 7800).

New York Philharmonic, Zubin Mehta conducting, Isaac Stern violin: Mussorgsky, Davies, Mozart (Tue). Mahler (Thur). Avery Fisher Hall (874 2424).

Yuval Trio, Beethoven, Brahms, Shalit, Smetana (Tue). Kaufmann Hall (996 1100).

Kylie String Quartet, Mozart, Bartok (Wed 12.30 Free). Juilliard Concerts at the IBM Garden Plaza (56th & Madison).

WASHINGTON

Los Angeles Philharmonic, Andre Previn conducting: Brahms/Haydn, Mendelssohn, Walton (Wed 7). Kennedy Center Concert Hall (254 3776).

National Symphony, Andrew Litton conducting, Christopher Parkening (guitar): Britten, Rodrigo, Vivaldi, Rachmaninoff (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony, Sir Georg Solti conducting, Andras Schiff piano: Beethoven, Ives, Brahms (Tue); Sir George Solti conducting, Michael Ludwig violin, Mozart, Beethoven (Thur). Orchestra Hall (435 8111).

ITALY

Milan, Teatro Alla Scala. Maria Tipo (piano) plays Beethoven sonatas (Mon). (80 91 26)

Florence, 51st Maggio Pergoa. The Italian Wind Quintet: Michele Marasco (Flote), Diego Dini Ciacci (oboe), Fabrizio Meloni (clarinet), Guido Corti (french horn) and Clandio Gonnella (bassoon) playing Ghedini, Berio's new piece Ricorrence (first performance in Italy), Einaudi and Carter (Fri). On Sat, Isaac Steiner (pianist): From Baroque to Rock and (Tues, Wed) a recital by pianist Steiner Tatiana Nicolaeva playing Shostakovitch. (277 92 36).

Naples, Settimane Musicali, Teatro de San Carlo. The Rai Orchestra of Turin conducted by Salvore Accardo plays Mozart's Prague symphony and arias from The Marriage of Figaro (with Ruggero Raimondi), also Dvořák's 8th Symphony (Mon). On Thur, the first showing of Klaus Kinski's new film Paganini with music performed by Salvatore Accardo. (797 24 12).

Naples, Museo Pignatelli. Salvatore Accardo, Margaret Batjer, Carlo Bruno and the Musica d'Insieme group playing Bartok, Dvořák and Mozart (Tues, Wed) (797 24 12).

People Show/King's Head

Claire Armitstead

First, a confession. Twenty-two years and 93 shows into their long and outlandish career I have just watched the People Show for the first time – an experience, in performance theatre terms, not unlike happening upon a famous cathedral. One knows one is in the lee of a venerable institution that has miraculously held together through the years, its basic composition unchanged by sundry later additions. What is disarming about this veteran troupe of madcaps and musicians is the freshness with which they set about their business.

Their latest show, *Marooned*, is a jam session of two entirely *incompatible decades. From* the callous eighties comes the central image of down-and-outs stranded on a Camden traffic island, prey to any Salvation Army zealot that should happen to park her boat (sic) alongside. From the abundant sixites comes the spirit that turns a rag-bag of drunks, junkies and hoboes into a let's-have-another-party party, complete with crooning genie, guitar-strumming pirate and many, many inflatable parrots.

The environment for their cavortings is an artwork in itself, featuring a kamikaze seagull frozen in mid collision with a traffic island, a row of skulls in sunglasses and a limp palm tree strung, like the walls, with musical instruments which are gradually plucked up and played. It is all blissfully self-indulgent, wickedly wayward, and yet the kaleidoscope of imagery is capable of throwing up shafts of poignant insight. A graffiti artist sprays a trite little seascape to the morbid strains of Radio Four's sign-off tune, *Sailing By*; a burly Scots drunkard hurls abuse at the audience; a woman's face contorts in a silent scream (or is she merely vomiting up earlier excesses?).

Then, of course, there are the long, luxurious stretches of inspired lunacy. Locked in a bout of Sumo wrestling, George Khan, of the polished pate and glittering eye, sounds a jolly little tom-tom beat on his stomach, while Jeff Nuttall's white acres yield a booming bass; hopelessly trapped in the coils of a large green serpent Sarah Sankey – a particularly People-ish addition to the personnel – struggles busily on and off the back of the stage. Out of the chaos comes an inscrutable logic, and out of the cacophony comes jazz.

£1,000 Jazz award

Jason Rebello, a nineteen-year-old pianist at the Guildall School of Music, has won the 1988 Pat Smythe Award for a young jazz musician of outstanding talent.

The award, worth £1,000, was presented to Rebello by Ronnie Scott in London.

It was set up in 1985 in memory of pianist/composer Pat Smythe.

FINANCIAL TIMES

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Monday May 16 1988

Interest rate dilemmas

IF MR NIGEL LAWSON is to continue as Chancellor of the Exchequer in comfort, the embarrassing disagreement with the Prime Minister over exchange rate policy has to be resolved. It is possible that it will be, but only following a change in interest rate policy abroad which Mr Lawson, as an articulate proponent of macro-economic co-ordination, should oppose.

The rift over policy – re-emphasised only last Thursday – is, at the least, awkward. This is, after all, a Government whose lodestar has been predictability. At present, however, there are two exchange rate policies, with the Chancellor's predominant, except when the Prime Minister gets too upset. Astrologers might now do as well at predicting UK exchange rate policy as anyone else.

The dilemma to which these disagreements are witness is, as the Bank of England reminded us last week, the conflict between the buoyancy of domestic demand and that of sterling. With just one instrument, the interest rate, a choice has to be made. So far that choice has taken the form of an uneasy compromise, with an appreciation of the exchange rate since early March counterbalanced "in part" (in the Bank's words) by two ½ per cent cuts in base rates.

The judgment of the Bank on the balance of policy, while plausible, is not cogent. Sterling's 6 per cent appreciation against the D-Mark will, indeed, impose downward pressure on manufacturing, but earnings growth is now faster in service industry. Moreover, the expansionary effect of the cut in interest rates on the latter could exceed the contractionary effect of the exchange rate appreciation on the former.

Decisive action

What is needed is a *deus ex machina* who will allow the Chancellor to stabilise the exchange rate, while raising interest rates. If foreign private investors stubbornly refuse to share the Bank of England's concern about the pace of domestic demand growth, the way out is for their monetary authorities – above all the Bundesbank – to tighten monetary policy. Unfortunately, such a tightening in West Germany would be indefensible.

Despite the last trade figures, there are signs of adjustment in the US. The danger is that the external adjustment will be thwarted by inflationary excess demand, the pressure being indicated by the decline in unemployment to a 14-year low of 5.4 per cent.

A rise in the long rate of interest of almost 1¼ per cent since the beginning of last month has signalled the bond market's concern. The Federal Reserve should act decisively on short-term interest rates, not merely to curb inflationary pressure in the economy, but also because anything less than decisive action is likely to do little to allay the bond market's fears. Decisive action on the shorter end should lower long rates and so avoid the dangerous effects of higher interest rates on the stock market. The US effort would be wasted if the surplus countries were to tighten their monetary policy, too. Neither Japan nor West Germany faces any great inflationary danger. Japan can afford to ignore the risk implied by the buoyant monetary growth, because of the ease with which inflation can be reduced once again in her flexible economy. The Bundesbank can ignore the much lower monetary growth in West Germany, because there is little risk in the first place.

Resist temptation

Policy-makers must also remember the implications of the attempt to stabilise exchange rates. Monetary policy is then a collective activity, with the relative strength of currencies the principal indicator of where tightening should occur. Since there is little evidence of the return of global inflation, despite a modest recovery in commodity prices, it is merely the relative tightness of US as against German and Japanese monetary policy that needs to be adjusted.

However unwisely, the three major countries may well embark on a global round of monetary tightening, so making the Chancellor's domestic dilemma easier to resolve. If so, he is entitled to feel grateful for their assistance in private, but should – for the sake of his own reputation – resist the temptation to hail the change in public.

A fresh look at nuclear power

THE BRITISH Government's commitment to nuclear power has complicated the plan for privatising electricity. Without it, a greater degree of competition in the generating side of the industry could have been envisaged. For this reason, and because of growing doubts about the economics of nuclear power, it is time to look afresh at the assumptions underlying the nuclear commitment.

The main purpose of privatising electricity should be to bring more commercial discipline to bear on the industry. Yet the Government intends to force the 12 new distribution companies to sell a minimum proportion of electricity from "non fossil fuel" sources.

It may be said that the Government can take a longer view of the strategic advantage of nuclear power than is possible for a private capitalist. Nuclear power, it is argued, will provide insurance against future oil price shocks, miners' strikes or other disruptions.

This argument seemed persuasive a few years ago when it appeared that a successful nuclear programme of four or five new pressurised water reactors would be better value for money in Britain than coal-fired plant of the equivalent capacity.

Safety requirements

However, the supposed economic advantage of nuclear power depended on assumptions which now seem questionable. The most important were that the future cost of coal would rise in real terms and that the proper cost of capital or discount rate used to evaluate projects should be relatively low. But in the US and in Europe commercial decisions are increasingly being taken on the assumption that coal prices will not rise markedly in real terms for several decades. Meanwhile, the success of Mrs Thatcher's policies in improving industrial profits have created doubts whether the electricity industry's present discount rate of 5 per cent in real terms is adequate.

This figure is only half the average return on capital now being achieved by British industry. Several recent studies, of which the latest is by Mr George Yarrow, the Oxford economist, show that stable coal prices or a cost of capital closer to 10 per cent could make nuclear electricity no cheaper and perhaps more expensive than power from coal.

A higher discount rate can be a way of expressing the special economic risks of nuclear power. Anxieties about safety can have an important impact on the economics because they can result in expensive safety requirements being imposed by regulators, in addition the risks of breakdown or construction delays can be especially burdensome because of the large amounts of capital sunk in a reactor project.

Economic case

The economics of nuclear power depend crucially on good design and efficient construction, both of which increase with experience. The world's most impressive nuclear programme, in France, demonstrates the benefits of learning by experience. With more than 60 reactors being built or operated, France has been able to reduce costs to a level at which nuclear power competes with coal under most credible assumptions.

If the European Community really did represent one integrated market it would be absurd for Britain to start developing its own home-grown version of a similar design, as has happened with the new PWR started last year at Sizewell in Suffolk.

The British nuclear industry is hoping that the Sizewell project will reverse the UK's abysmal record for building nuclear plant on time. But even if it does so, there is little hope that British costs can be lowered to a level close to those in France.

In the long term the world and Britain will doubtless need more nuclear power, but for some time to come diversifying the source of coal supplies might give the country most of the energy security which it needs. At the very least the Government needs to reconsider the economic case for nuclear power and all options for producing it. If the best option proves to be importing from France or allowing the French to build a nuclear plant in Britain, the Government must be prepared to subject nuclear power to a market test.

THE WORLD ECONOMY

No foreign capital, please

By John Plender

ONE OF the more striking features of the global economy in the 1980s has been the fast-growing tidal wave of capital that has flowed across the foreign exchanges. But is that tide, which is now running on a daily basis at around 20 times the underlying trade flows, finally about to turn?

In recent weeks there have been telltale signs of increasing governmental sensitivity over foreign participation in domestic bond markets. Public opinion in the developed world has become notably hostile in the face of a spate of hard-fought cross-border takeover bids. And the resentment threatens to become self-feeding as companies dash to make international acquisitions before the protectionist barriers come down.

The populist backlash against foreign capital has been at its most fierce in the hitherto liberal United States, where the Japanese are the main focus of hostility. Until recently, criticism was levelled chiefly at Japanese direct investment. But the US Trade Bill, over which President Reagan will shortly be haggling with Congress, now carries an amendment designed to prevent foreigners becoming primary dealers in the US Treasury bond market unless their governments grant reciprocal access to US houses. Such is the political sensitivity of the issue that Fuji Bank has felt obliged to restrict its participation in this market to a minority stake, announced last week, in a primary dealership controlled by Kleinwort Benson of the UK.

Yet the Japanese are now in the position that they are damned if they do and damned if they don't. The head of the presidential task force on the October stock market crash, Mr Nicholas Brady, co-chairman of investment bankers Dillon, Read, last month accused Japanese investors of precipitating the slide by dumping US government bonds. It was, he implied, a Japanese investment strike in the bond market that caused equity investors to panic about the widening yield gap and the threat of inflation.

Senior officials at the Japanese Ministry of Finance say that it was more a case of a slackening Japanese capital inflow into the US than a sell-off. But since Mr Brady is a close associate of Mr George Bush and is regarded as a potential Treasury Secretary in the event of a Republican victory in the presidential election, the allegation hurts.

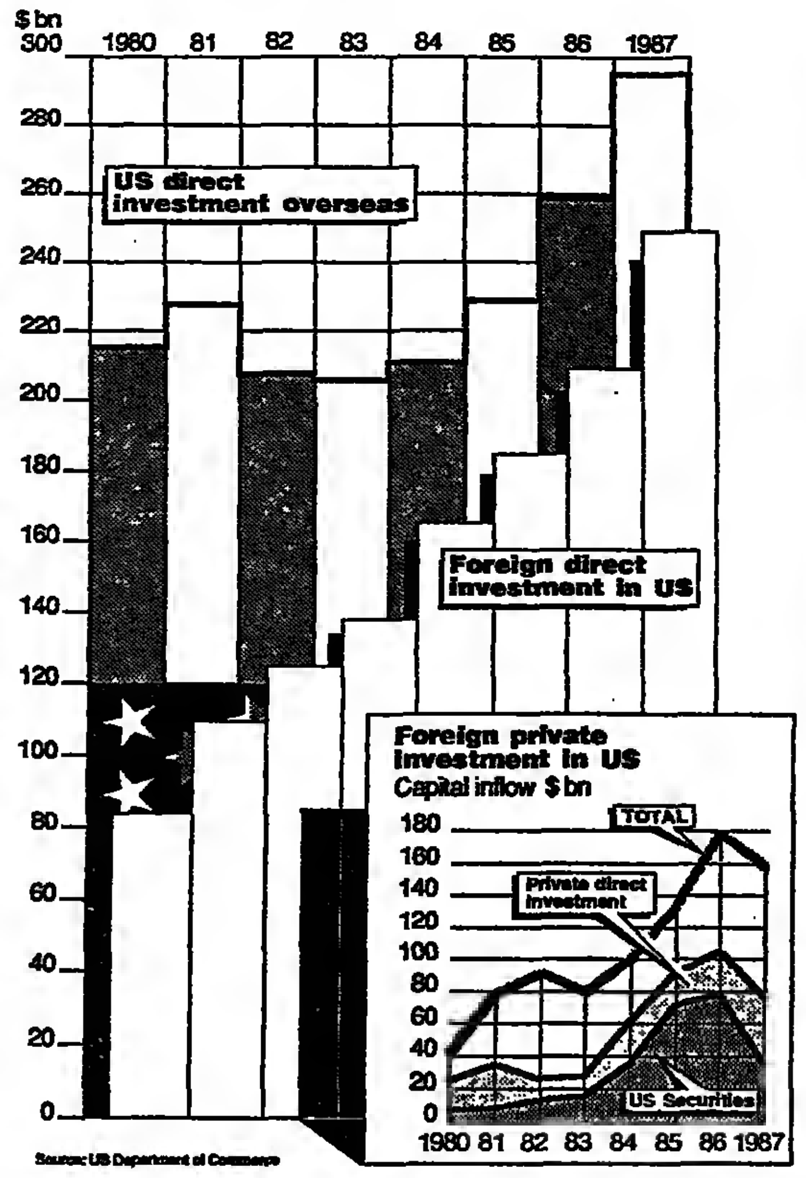
Xenophobia is not confined to the Japanese. The British construction group Beazer has run into extreme local hostility in its bid for the Pittsburgh-based aggregates concern Koppers. So, too, has Shearson Lehman, Beazer's investment banking adviser, which also has an equity stake in the deal. Shearson's parent is American Express. The natives of Pittsburgh have been busily tearing up their American Express cards in front of the television cameras in protest against the bid. This amply reflects the growing public hostility towards Wall Street investment bankers for their role in selling off America as foreign buyers rush to take advantage of a weak dollar before the politicians close the window of opportunity.

In Europe there have been comparable alarms, notably in the case of Mr Carlo de Benedetti's assault on Société Générale da Belgique, which has prompted a powerful nationalistic response both from the Belgian Finance Ministry and the local business community. The sight of this unusually aggressive takeover battle in neighbouring Belgium has also caused the French to become increasingly nervous about the consequences of their recent move to liberalise the domestic capital markets – a nervousness that has been increased as Italy's Assicurazioni Generali insurance group stalks Compagnie du Midi in France.

In Britain, meantime, the dawn raid by Jacobs Suchard on the York-based sweet manufacturer Rowntree, followed by a contested bid from Nestlé, has caused mounting concern among politicians and industrialists alike. The fact that some Swiss companies are heavily protected from hostile takeovers has given rise to calls in Britain for reciprocity in the treatment of foreign bidders – despite the fact that the protection is contained primarily in company statutes, not legislation. Recent heavily publicised bid-proofing alterations to the statutes of two of Switzerland's large chemical companies, Sandoz and Ciba-Geigy, have lent impetus to the reciprocity bandwagon.

Much of this nationalistic backlash can be regarded as a natural consequence of the widespread removal of capital controls in the 1980s. But in the United States the politics of foreign capital inflows seems almost absurdly at odds with the underlying economics. With a marked shortage of domestic savings, the US economy is heavily dependent on foreign savers to finance its twin deficits. To treat Japan, the world's biggest external creditor, as a bogeyman when it provides the US economy with a financial drip feed is nothing if not perverse.

> There is growing hostility to Wall Street investment bankers for selling off America to foreign buyers



> To treat Japan as a bogeyman when it provides the US with a financial drip feed is nothing if not perverse

Foreigners now have an important influence on US interest rates. Mr Yoshitaka Murata, Director of the Research Division of the International Finance Bureau of the Japanese Ministry of Finance, acknowledged at a conference in London this month that the decline in Japanese private capital flows into the US in 1987 must have contributed to the rise in 30-year US government bond yields from 7½ per cent at the end of February to more than 10 per cent on the eve of the October crash. The retreat from US bonds (see graph) reflected worries about the weakening dollar, which is now estimated to have inflicted a paper loss of $80 billion on Japanese insurers last year.

But that puts a needlessly unflattering complexion on the foreign inflow. For US interest rates would be still higher in an election year, if foreign central bankers had not taken over from private investors in plugging the US domestic savings gap. In short, the potentially painful legacy of Reagonomics is being deferred by injections of official foreign capital at a moment of extreme political sensitivity. All of which is lost on the sublimely unaware domestic voter, to whose anti-Japanese instincts Congressmen are busily trimming their sails.

But the message is not lost on the Japanese authorities, who show every sign of understanding the wider politics of the situation and the advantages to Mr Bush of exchange rate stability. They have gone out of their way to publicise an addition of nearly $60 billion to their budget for foreign exchange intervention, while warning Japanese insurance companies not to depress the dollar by dumping stock at the start of the new financial year in April. A Republican victory could no doubt be expected to deliver a more accommodating stance on trade policy after the election, though Japanese officials, predictably enough, deny any such quid pro quo for dollar support.

Anti-Japanese sentiment also looks overdone in relation to direct inward investment. Newspaper headlines have understandably concentrated on official projections in Tokyo that Japanese automobile production in the United States will reach 60 per cent of the 1985 level of auto exports by 1990. Yet Japan is far from being the biggest foreign stake holder in the country. Of total direct foreign investment in the US of some $250 billion at the end of 1987, Britain accounted for the biggest share with 28 per cent, followed by the Dutch with 21 per cent and Japan with only 12 per cent. Even last year, when Japanese direct investment reached a record $7.4 billion, it was still less than half the amount invested by Britain.

All this represents more stable, long term financing for the trade deficit than the portfolio inflow. Equally significant, the record rise in direct inward investment in the US last year was broadly matched by the increase in American investment abroad. In terms of the stock of foreign direct investment overseas, the United States is still way ahead of the rest of the Group of Seven industrialised countries (see chart); and since most of the US investment goes back a long way, the figures significantly understate the true worth.

For all that, the folk in Pittsburgh, where the city's recent regeneration owes much to the commitment of local corporations, have genuine worries about the potential job losses and closures that might come from out-of-state or foreign ownership. This fear of becoming a branch plant economy is also at the root of much concern in Europe, not least in York over the Swiss bid for Rowntree.

There is also a growing suspicion that some governments have been slow to adjust competition policy to reflect the coming of the single European market. Courtaulds' chairman Sir Christopher Hogg, for example, argues that UK competition watchdogs should judge domestic takeovers and mergers on the basis of their impact on competition in the European market, rather than the British market. If such a view were to become official policy, a merger between Rowntree and Cadbury (which is under threat from General Cinema) might have escaped Monopolies Commission censure and pre-empted the foreign attack.

As yet, concern about foreign investment has not been reflected in the reintroduction of exchange controls or of other draconian legislation. Some countries, such as Japan and West Germany, have never ceased to impose difficult cultural and competition policy barriers to foreign acquisitions. But elsewhere there are straws in the wind. In France Mr Chirac's government showed itself unusually sensitive in the initial stages of the proposed acquisition by the Financial Times's parent, Pearson, of the publishing group Les Echos; the incoming socialist administration is expected to be more nationalistic. In Britain the government has asked the Monopolies Commission to probe the Kuwait Investment Office's 22 per cent stake in British Petroleum on public interest grounds. And on Monday it emerged that two Japanese securities giants, Nomura and Daiwa, had been prevented at the last minute from becoming market makers in UK government bonds, ostensibly on the ground of reciprocity.

The British government's response to the Office of Fair Trading's forthcoming recommendation on the Nestlé bid for Rowntree will provide a more tangible indication of the speed at which policy is shifting. But the pressures can only intensify. According to a new study* by DeAnne Julius and Stephen Thomsen of the Royal Institute of International Affairs, foreign direct investment in the Group of Five industrialised countries increased since 1983 at astonishingly high annual rates of 10 per cent for the United States, 40 per cent for Japan, 31 per cent for West Germany, 29 per cent for France and 2 per cent for Britain. The authors expect foreign direct investment to grow at an annual rate of 13 per cent in real terms to 1995, reflecting the continued liberalisation and growth of service industries, the unification of the European market and the recycling of an increasing portion of Japan's trade surplus into direct foreign investment. Clearly the threat of protectionism will need careful management, both by governments and industrialists, if this forecast is not to go badly wrong.

**Capital flows and international economic relations: the explosion of foreign direct investment among the G-5, DeAnne Julius and Stephen Thomsen, Royal Institute of International Affairs, London.*

Stalemate in the Cabinet

■ A curious ménage à trois has developed at the top of the British Government. Margaret Thatcher, the Prime Minister, is at odds with both Nigel Lawson, the Chancellor the Exchequer, and Sir Geoffrey Howe, the Foreign Secretary, over exchange rate policy. Yet none of them seems likely to make a decisive move and we could be stuck here indefinitely, as indeed we have been for the last few months.

One obvious move would be for the Chancellor and the Foreign Secretary to get together, tell the Prime Minister that the time has come for Britain to join the exchange rate mechanism of the European Monetary System, or face the consequences – which could include the resignations of her two top ministers.

That will not happen for a number of reasons. One is that Lawson and Howe rarely operate in tandem. It is not so much that they do not like each other; it is just that they have different temperaments. Howe wants full membership of the EMS at least partly on grounds of foreign policy. He thinks that joining the monetary club would show that Britain at last is an unconditional member of the European Community.

Lawson's arguments are more technical. He believes that belonging to the exchange rate mechanism would impose a discipline, rather as the original medium-term financial strategy set a disciplina when Lawson was Financial Secretary and Howe was Chancellor in 1980. But Lawson still recognises, along with the Prime Minister, that there is something to be said for maintaining freedom of action by staying out: for example, on interest rate policy. Besides, Howe likes being Foreign Secretary and Lawson knows it. The Chancellor now admits – a fairly recent conversion – that the only other post in government he would take on is the Foreign Office. That incipient rivalry scarcely makes for a Howe-Lawson alliance.

OBSERVER

Not least, this is not a Government of plotters. By and large, the best ministers – Howe and Lawson among them – get on with their jobs knowing that there are some things that they cannot do because the Prime Minister is opposed.

Where they differ from some ministers who have served her is that neither of them could be easily sacked. Howe is too popular in the party, and perhaps nowadays in tha country; Lawson is too respected in the markets, and his standing in the party has risen sharply in the last two years.

Equally, it is unlikely that either of them would resign either in a fit of pique or on a stand of principle. Lawson might go one day, but one doubts if he would do so knowing that the timing of his departure would provoke a crisis. And the differences that exist between Thatcher and Lawson so far can still be blurred – a few pfennigs either way.

So it looks as if the ménage à trois will continue a while yet. It is Thatcher who is at fault for living in the past: the fear of entering a monetary system and then having to come out again because sterling is too weak is, in her own words, "etched on her memory." Yet it was under her that sterling became strong enough.

The only way out of tha impasse may be for the French and West German governments to issue a formal invitation for Britain to join. There would then be a new situation and no-one would lose face. Yet given the present state of French politics and the weakness of Chancellor Kohl, that is not on the immediate agenda.

CBI bun fight

■ A little-noticed point about the annual CBI dinner in London last week was the sheer boisterousness of it all.

"Any advance on DM 3.1825?"

The speeches may have been boring, but what the captains of industry wanted was a good night out. Some of them extinguished their cigars on the carpets and there was an amazing collection of neckwear: not all of it black, nor all it tied.

The men from the north and the midlands talked about where they were staying and where they were going after dinner. Hardly a wimp among them. Has the CBI lost its purpose?

Re-enter Fauroux

■ The new French Cabinet is obviously not going to last long. One figure stands out, however, apart from the Prime Minister, Michel Rocard. He is Roger Fauroux, the industry minister.

For the past two years, Fauroux headed the Ecole Nationale d'Administration (ENA) which has groomed generations of top French civil servants and politicians. Before that he was chairman of Saint-Gobain, the French glass and pipes group, where he worked for 25 years after leaving the public administration.

Soft-spoken and reflective, Fauroux, who is 61, is a mixture of a man of action and an intellectual. At Saint-Gobain he was the only chairman of a leading industrial group nationalised by the socialists in 1982 to have been kept on. State ownership did not prevent him launching a controversial market raid against the Compagnie Générale des Eaux, the big private water distribution group, well before the fashion for takeovers started gripping the French market.

He brought young executives who were not products of the conventional French right-wing establishment into the Saint-Gobain management. They included Alain Gomez, now chairman of Thomson, and Alain Minc, today Carlo De Benedetti's man in Paris who engineered the bid for Société Générale de Belgique this year.

Fauroux went to ENA before the right returned to power in 1986, believing that he could not only train the élite of the French bureaucracy but also bring on a new generation of top industrial managers.

He is not the first industrialist to take over the industry portfolio. Pierre Dreyfus, the former chairman of Renault, was made Industry Minister after the socialist landslide in 1981. Fauroux must have expected that early parliamentary elections would be on the way and is presumably ready to stay on. One of his chief interests is theology.

Important plates

■ According to the latest issue of Autocar, the number plate VIP 1 is up for sale. The asking price is £100,000 and Terry White, the used car dealer in Sittingbourne, Kent who has title to it, claims that he has had several offers around £90,000.

White bought it, along with a Mercedes, from an unnamed Kentish owner for an undisclosed sum, the plate having first been used by the Pope during his visit to Ireland.

The vehicle licensing centre at Swansea used to insist that plates and vehicles were not separable. This has been relaxed in the last few weeks. "Cherished" plates, as they are called, can now be marketed in return for a fee of £80 to the DVLC.

Ivo Dawnay looks at the consequences of Brazil's lurch back towards economic nationalism

Paying a high price for independence

FACED WITH the choice between freer competition and integration with the world market or a tightening of national control over their increasingly inefficient economy, Brazil's Congressmen had no hesitation last month. They chose the latter.

Amid tumultuous cheering, the National Constitutional Assembly voted by an emphatic vote of 348 to 126 to force controlling shares in all mining companies into Brazilian hands and halt all further foreign oil exploration risk contracts.

To many observers, the decisive margin presents an alarming snapshot of the chasm between current Brazilian thinking and that of the rest of the world. While governments from the US to the Soviet Union are propounding interdependence and struggling to attract inward investment, Brazil – proud, independent, close to bankruptcy – has decided to show foreigners the door.

It is not only the mining and oil companies that have to reconsider their operations. By creating the concept of "a Brazilian company of national capital" – to which mineral rights are to be restricted – the nationalists have found a tool which could be used to shut off other activities to foreigners. Fine chemicals and bio-technology are two known targets.

But this possibility remains unlikely. Moreover, it is also just possible that even the mining and oil clauses could be reversed. In practice, nationalist rhetoric often gives way to pragmatism in Brazil.

Furthermore, as the legislature makes its populist gestures – the latest being to cap bank interest rates – an altogether more conciliatory series of signals is being emitted from President José Sarney's Planalto Palace.

Nevertheless, the real significance of the vote is its confirmation that, despite the general elections of November 1986, the Old Brazil can still command nearly two thirds of the Congress against the modernists. A bizarre coalition gathering in the far-right military, the evangelical movement, the normally sober centrists, the mining interests, and far-left socialists has found common, nationalist ground.

It does not matter that Brazilian mining companies have always fought shy of the high-risk, capital-intensive business of mining exploration. The industry, anyway, tacitly recognises that most foreigners will get round the rules by appointing Brazilian front-men as 51 per cent voting shareholders.

The Congress's vote seems a futile patriotic gesture, and one which may be very expensive. While most foreign companies – whose investments already run to billions – will find a way to pursue current schemes, many will fight shy of new ones. And there is no Brazilian capital available to take up the slack.

"The Brazilians will maintain their precious national sovereignty over their mineral resources," said one embittered foreign investor, "They just won't know where they are."

If last month's vote has been condemned by the foreign community, it has also been attacked by every serious Brazilian newspaper and all the country's best known economists. How then, can politicians justify it?

In part, the answer is simple jingoism – a xenophobic conviction, born perhaps of austere IMF programmes and debt interest payments, that what is good for the foreigners cannot possibly be good for Brazil.

The view of the parties on the left owes much to Brazil's collective anthropology, mapped with genius by the late Gilberto Freyre, in which the world is divided into masters and slaves. If we are to be slaves, they argue, let us at least keep it in the family and ensure our masters stay Brazilians, until the day when we will have the whip in our hands.

A shift to a more meritocratic economic system based on genuine competition would represent a revolutionary change for Brazil

Less comprehensible is the position of the military, some of whom believe Brazil can maintain monopolies or cartels in sectors deemed of "national security" and still be in the world's technological vanguard – without any strategic or economic programme for financing it.

This view has launched millions of taxpayers' dollars into romantic, though dubious, ventures ranging from information technology to satellite construction and nuclear fuels with potential profitability nowhere in sight.

Most blameworthy of all, from the liberals' perspective, are the domestic companies themselves, many of which correctly see the manipulation of nationalist sentiment in Brasilia as the safest way to profit without fear of competition or risk investment.

Ally these interest groups with an underworked and bloated bureaucracy which is anxious to maintain its privileges, and the paternalistic "favour system" of government appears still to be unassailable.

Brazil's fondness for keeping business in the family even if a cheaper, more efficient product is available from strangers is something which passes through all layers of society. For the company chairman, getting things done often means having a well-placed friend in Brasilia. For the family in a shanty-town, prestige – and, perhaps, a few handouts – flow from having a cousin earning a secure salary in government or a state enterprise. Foreign competition would upset the chairman's cosy lifestyle, while the shanty family is unaware that its members' underemployment is the price of their cousin's good fortune.

Mr Antonio Delfim Netto, Brazil's former planning minister who is now a repentant convert to market forces, defines the system with two laws. "First, the bureaucracy always allies with national industry to control the market.

"Second, the bourgeoisie that creates reserved markets manipulates the left in spectacular form – you can sell any idea if it is dressed up as the defence of national interests."

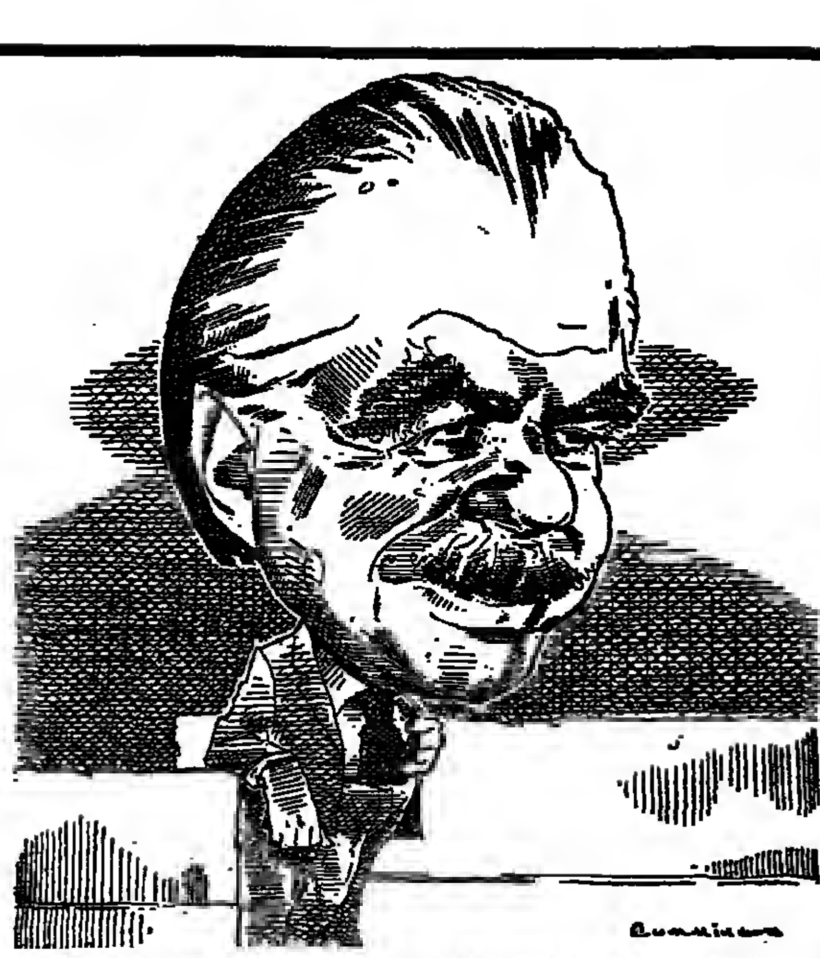
A shift to a more meritocratic economic system based on genuine competition would represent a revolutionary change for Brazil – a change that the mining vote proves it is still not ready to take.

After all, for 40 years, economic policies based on import substitution – the systematic replacement of imports with national equivalents – have sustained average 7 per cent growth, created an integrated industrial base and tripled per capita income despite a parallel tripling in population.

Although the system merely paid lip-service to efficiency while fuelling paternalism, buoyant internal demand kept the machine in motion. Now, that is no longer the case.

Foreign and internal debt of more than $150bn (£80bn) has halted the government's capacity to generate demand. Simultaneously, mismanagement of the economy and frittered savings have dried up investment funds and consumer spending power.

In short, the public sector surplus that long sustained that cousin's salary from a spendthrift state has disappeared. The illusory free lunch, in reality paid for by a cruelly unjust distribution of wealth, is off the menu. Yet, so far, few Brazilians are ready to accept this awkward truth.



President José Sarney: looks set to try another round of austerity measures

Before the mining vote, however, the climate had seemed to have been changing. Recent signals given out by the government had – if maddening in their tardiness and modesty – at least been in the right direction. Mr Mailson da Nobrega, the finance minister, has capped budgets, halted state-sector recruitment and temporarily frozen wages. In addition, the national development bank, the BNDES – for years both high priest and policeman of the import-substitution strategy – has now called for an export drive and "competitive integration" with the world economy.

A World Bank seminar on liberalising Brazil's highly discretionary trade regime seemed to be preaching to the converted. Privatisations and debt equity conversions are under way and banking and civil service reforms promised.

Against this background, the mining vote is a serious setback for Brazil's many foreign friends, not least those hoping to persuade their head-offices to invest.

Part of the explanation for Congress's bizarre outbreak of nationalism may lie in the general air of pessimism and inferiority that a stagnating economy and 20 per cent a month inflation carry with them.

But this directly conflicts with the views of many admiring foreigners with a sound knowledge of the country's industrial base and entrepreneurial skills. For example, Professor Donald Coes of the University of Illinois said after the recent World Bank seminar that, in many sectors, Brazil is already highly competitive.

"All that is really needed is a greater orientation towards export markets and more imports to modernise industry," he said. "Tariffs on weaker sectors can be maintained and reduced gradually so long as the system is transparent and non-discretionary."

But if all Brazilian industry lacks is ambition, the same cannot be said of Mr Sarney, whose dogged pursuit of Congressional approval of a five-year term of office has drastically slowed any decision-making.

Mr Sarney now looks set to try another round of austerity measures. However, fears persist that the really vital issue – civil service reform and the dismissal of politically appointed civil servants who have salaries but no real jobs – will continue to be avaded, at least until the mandate question is resolved.

Despite the gloom, there is another, more optimistic, way of looking at Brazil's predicament. This argues that after 21 years of military rule and atrophy, Brazil's democratic muscles – in the legislature, judiciary and even the business and trade union lobbies – are at last twitching into life.

If mistakes must be made, this is a small price to pay for the return to the democratic process; Brazil's natural wealth and pragmatism will see it through to a glorious future.

All this, perhaps, is true. The pity is, following last month's events in Brasilia, that natural wealth looks set to be exploited less rapidly or efficiently. Once again, the future has been delayed.

Lombard

Much-needed new monetary look

By Samuel Brittan

A WELL-OBSERVED characteristic of public officials is that they tend to be sceptical about the power of the instruments they themselves operate, but full of radical ideas about the areas furthest from their knowledge and control.

A new book by a former Economics Director of the Bank of England and a serving Bank official, fits the negative part of the formula. They are extremely sceptical of the claims made for monetary policy, but do not have much faith in the alternatives such as incomes policies usually favoured by those in their own intellectual camp.*

While they have some limited belief in fiscal policy, this is for the traditional purpose of managing demand in real terms. The rate of inflation in their last analysis just drifts. While the Bank of England can justifiably use the latest intellectual fads to scare the daylights out of wage bargainers in an emergency, ultimately it is not in control.

This is, nevertheless, a book that monetarists of all varieties will neglect at their peril. Its value lies not so much in its conclusions, but in its welcome return to an older style of economic analysis. There is a great deal of factual and statistical information; but it is limited to what is required to shed light on what happened and why, and to analyse how the monetary system works.

The authors puzzle over questions all too rarely asked nowadays, such as whether banks can create money. They ask why it is that by imposing penal borrowing rates on a quantitatively insignificant proportion of bank resources, central banks can lever up or down the general level of interest rates. Not surprisingly they suggest limits for central bank ability to control either interest rates or lending totals.

The work will become a standard textbook. I could only wish there were something from the monetarist or market economy side half as good. It is particularly admirable that Christopher Dow, at a stage where he could either have just retired or become a sage, has continued to worry away at fundamental problems not easily answered by the econometric models now in fashion.

The current policy problem is clearly stated in the title of the final chapter, "Monetary Policy without Monetary Targets". The authors believe that the main aim of monetary policy should be to influence the exchange rate, hardly one with which I am likely to quarrel.

But while this is an arguable objective for a single country, it can hardly be sufficient for the wider international community. The Bank of England can set interest rates to keep sterling within a published or unpublished range against the D-Mark. But if the Bundesbank were to set its monetary policy with an eye to sterling, the prescription would become indeterminate and the international level of interest rates could be anything at all.

For the exchange rate prescription to work, there must be at least one country whose monetary policy is not targeted on the exchange rate. Or more ambitiously, there needs to be internationally agreed objectives to determine the drift of monetary policy over the Group of Seven as a whole. This is so even if, as the authors advocate, a sterling target is used merely to minimise overshooting of the real exchange rate and not as a counter-inflationary device. Exchange rate stability alone could be as well served with average nominal international short-term interest rates at a great variety of different levels.

The world as a whole – and for many practical purposes the Group of Seven major industrial countries – forms a closed economy. Fundamental question about the goals of monetary policy cannot thus be shelved by formulating an external objective.

The more that peripheral countries – that is, every country except the US, Japan and Germany – concentrate on their exchange rates, the more important it is for the Big Three to concentrate on internal objectives. Or really the Big Two-and-a-Half; for the US too is in no position to ignore the dollar.

A Critique of Monetary Policy: Theory and British Experience, by J.C.R. Dow and I.D. Saville, OUP, £25.

Letters to the Editor

Reciprocity and merger policy

From Dr Michael McDermott.

Sir, Since July 1984, UK merger policy has been based primarily, though not exclusively, on competition grounds. However, the Monopolies and Mergers Commission's (MMC) decision not to block leveraged bids (for example, Elders for Allied Lyons), and the refusal of the director general of the Office of Fair Trading (OFT) to refer the BTR-Pilkington bid to the MMC suggests that UK merger policy is, in fact, based solely on competition grounds.

In this respect, UK merger policy has been clarified as a result of the billion pound takeover bids of recent years. Thus, greater predictability of UK merger policy has been achieved. Therefore it would be unfortunate if the OFT were to refer Nestlé's bid for Rowntree to the MMC.

The fact that Swiss rules render Nestlé bid-proof is irrelevant. A hostile bid for Rowntree by even a UK company would have provoked a campaign for MMC referral. However, the "reciprocity" argument has serious implications for many UK companies – not just Rowntree – and also for UK merger policy.

The huge increase in UK expenditure on US acquisitions has already led to some US politicians arguing for a clamp-down on foreign acquisitions. Should Britain demand reciprocity of the Swiss, it can have little complaint if the US demands it of Britain. The US anti-trust authorities could preclude UK acquisitions in the US until such time as UK merger policy-makers adopt the US model.

Michael McDermott,
*Strathclyde International Business Unit,
University of Strathclyde,
Stenhouse Building,
Glasgow, Scotland.*

Spanish banking out of balance

From Dr Nicholas Belford.

Sir, It should come as no great surprise to Peter Bruce and David Lascelles ("Forced to Face the Future," May 9) that Mr Gonzales' "socialist" government has encouraged the concentration of capitalist banking power in Spain.

The PSOE (Spanish Socialist Workers Party) has had a long tradition of pressing for the rationalisation of the archaic banking structure. Mr Indalecio Prieto, minister of finance in the 1931 Republican government, called for the same – despite his political pedigree as a leading acolyte of the party. Indeed, it has been suggested that, since the dictatorship of Mr Primo de Rivera (1923-30) had attempted – with some success, with the collaboration of "socialist" ministers – to reform the financial system, the PSOE leadership should bring it to a conclusion under more democratic conditions.

The problem, then as now, was the banking system's unbalanced regional structure. The banks in Catalonia were small-scale; less concerned with sponsoring industrial advance than in attracting speculative funds for orgies on the Stock Exchange. The banks in Vizcaya, especially the Banco de Bilbao and the Banco de Vizcaya, were much more directly involved in building up the infrastructure and financing the growth of the iron and steel and metallurgy sectors.

But it is perhaps facile to seek development of the banking system merely through mergers – in which significant numbers of Spanish bankers now seem to believe. During the 1920s many advances occurred without this, noticeably in banking technology, greater participation in industrial growth by banks in Catalonia and the Meseta, and bankers participating in the administration of new companies.

The reason would appear to have been not concentration of finance capital, but the stimulus given to the real economy by the quasi-Keynesian public works programmes of the dictatorship.

This gave rise to a number of new banks devoted to financing the small savings of an overwhelmingly agricultural economy towards reproductive investment; and the establishment of new initiatives by the banks in terms of the industries they were prepared to finance – particularly in the hydro-electricity and land irrigation programmes which directly contributed to the growth of the Spanish economy behind strong protective tariffs in the late 1920s. The ending of expansionary measures by Prieto and his cohorts ultimately aggravated the economic recession of the early 1930s, and led indirectly to the violence of class struggle preceding the invasion of France.

The present Socialist government should heed the lessons of the past and not take flight in simple remedies towards the problems of the banking sector. The root of the crisis in Spain can only be tackled by returning to the programme on which they were originally elected.

Nicholas Belford,
*52 Osterley Park View Road,
Hanwell, W7*

EMS principle is valid worldwide

From Mr W. Grey.

Sir, Samuel Brittan concluded his recent rejoinder to Sir Alan Walters about the European Monetary System (EMS) by stressing: it is "not the choice of monetary framework, but sticking to it once chosen" that matters (Economic Viewpoint, May 5).

Would that he had been equally emphatic in sticking up for the Bretton Woods system, for all its shortcomings, in the face of flexible exchange rates and benign neglect. More important than monetary frameworks, however, are the principles underlying them – it is not simply a case of "my framework right or wrong."

Even if the EMS had not worked in the way Mr Brittan and others have demonstrated, the exchange rate stability to which it is committed is manifestly preferable, on more than microeconomic grounds, to the practice of leaving it to the exchange rate to clear up whatever mess economic policy-makers make on their own and/or blame on each other.

In fact, keeping the exchange rate stable, by a combination of monetary and fiscal policies rather than foreign exchange intervention, is at once an aid to sound economic management and a symbol of it. The same goes for good neighbourliness, too. What is true of the EMS – the European Community, pending the creation of a single European currency, could hardly exist without it – is therefore, with one or two necessary modifications, also true of the international monetary system as a whole.

The EMS may be parochial in form, but its principle is universally valid.

W. Grey,
12 Arden Road, N3

Nuclear investment is a special kind of capital risk

From Dr Dieter Helm.

Sir, In commenting on my letter (April 28) concerning nuclear investment appraisal, Mr Jones (Letters, May 9) suggests that I am mistaken as to the nature of the systematic risk in this context and that the 10 per cent rate is an inappropriate benchmark. In the same May 9 edition, Mr Mobbs also questions my use of the capital asset pricing model and makes an interesting point about cash-flow analysis.

Mr Jones is entirely correct to point out that, with a permissive regulatory structure, the systematic component can be reduced to a small residual. However, this would require cast-iron cost-plus guarantees from Area Boards to the successor of the Central Electricity Generating Board (CEGB), as well as commitments by government to take back nuclear sites for decommissioning and to dispose of the spent fuels.

Such a regime might reduce the cost of capital, but it would hardly be desirable on efficiency grounds. The evidence Mr Jones quotes from the US is very relevant to this: the US regulatory structure has many of these cost plus characteristics, and it is therefore not surprising that the US experiences lower betas than the 10 per cent rate.

Mr Jones also repeats the error of using *ex post* actual rates of return earned in the past for choosing the *ex ante* discount rate in quoting evidence on UK companies' performance. As I indicated in my letter, this is inappropriate.

Both Mr Jones and Mr Mobbs question my methodology in deriving the cost of capital. The key distinction is between those risks which can be diversified through market portfolios and those which cannot. My argument is that nuclear projects as presently considered have a higher level of undiversifiable risk than does, for example, British Gas – the origin of my suggestion that 10 per cent may be on the low side. Only if the Government assumes these risks, or forces consumers (via the Area Boards) to take on an open-ended commitment to pay the nuclear costs (or "tax") will these risks be offset.

Mr Mobbs also makes the interesting suggestion that cash-flow analysis is the appropriate tool for analysing systematic risk, not the discount rate. In a perfect world with no conflicts of interest and common information between project managers and investors this would of course be the case. However, in reality the presence of such conflicts is endemic to project appraisal; it may well be the case that investors use higher discount rates as a second best method of checking for the presence of "appraisal optimism." There is considerable supporting evidence suggesting that this is by no means rare in larger private sector corporations.

Dieter Helm,
*Centre for Business Strategy,
London Business School,
Sussex Place,
Regent's Park, NW1*

FINANCIAL TIMES

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Janet Bush on Wall Street

The crash with hindsight

"LIKE A SPANKING to a misbehaving child, the crash returned rationality to an out-of-control market."

With the benefit of hindsight and the sense of calm which often accompanies academic life and which is notably lecking in financial markets, Avner Arbel, Steven Carvell and Erik Postnieks of Cornell University regard the crash as a good thing.

In an article in the latest Harvard Business Review, they write of the crash: "Instead of a panic, it was the restoration of sobriety and rationality. Instead of destroying confidence, it restored credibility in the market pricing mechanism. The steep market descent that the world witnessed actually prevented a long, gradual descent. By ending unjustifiably good times, the crash prevented bad times."

This optimism may seem hard to swallow in regional brokerages having to re-learn the art of hard sell to get individual investors back into the market and to those investors themselves, smarting from their losses and scared stiff at the very mention of programme trading.

On that subject, Arbel and Carvell, who both served as consultants to the Brady Commission, are unequivocal. Portfolio insurance and programme trading, they say, did not worsen the crash but kept it from lasting longer.

Programme trading creates the ideal conditions for an instantaneous flow of funds across markets and across financial instruments with almost no budget constraints or any other barriers, all characteristics associated with market efficiency.

The authors conclude that the biggest effect of any restrictions on programme trading would be to impede this efficiency.

After last week's announcement by five major brokerages that they were to stop using programmed stock index arbitrage trading on their own account there is likely to be a great deal of discussion about market efficiency. The day the houses made their announcement, the Dow Jones Industrial Average was, as many an equity trader put it, given a psychological boost by the news.

The next day, when the market was hit by heavy selling on interest rate worries, traders started wondering if the severity of the fall could have been avoided if the major stock index arbitrageurs had been active on their own accounts as well as those of their customers.

The bulk of the paper by Arbel, who is professor of finance at Cornell's school of hotel administration, Carvell, assistant finance professor, and research assistant Postnieks, is devoted to an examination of investor behaviour during the crash. Their findings are striking and, given the impression of chaos and panic in the week of October 19, surprising.

Their research suggests that, far from losing their heads, investors behaved completely rationally and sold stock on the basis of traditional valuation and risk formulas. "Investors imposed a crisis pricing mechanism that is more consistent with basic financial theory than any pricing mechanism present during the bull market," the authors say.

For example, dividend yield was a major factor. Stocks with high yields lost 21.1 per cent compared with stocks without dividends which lost 32 per cent. Stocks with high price/earnings ratios lost 55 per cent more than those with low p/es. "Once again, those stocks that strayed farthest from the classical value models were hit hardest." Risk was another major influence in investor behaviour. Companies with more leverage in their capital structure lost more than companies with little debt.

And, interestingly given the current post-crash wave of mergers and restructurings, stocks of companies undergoing restructuring, whose share prices had been bid up in what the authors call "a feeding frenzy," lost much more than the market as a whole during the October break and, according to the authors, continue to underperform the market. "Once the stocks were stripped of the speculative veil, their instrinsic value revealed that the market had overpriced the shares and a correction was now in order."

All the evidence suggests that, at the very early stages of the crash, investors adopted a "basic no-nonsense valuation approach."

So, investors who had behaved irrationally during the bull market returned to their senses under crisis – the smart crash of October 19, according to the authors. How rational are they now being in staying away from the market altogether?

US computer companies to take on AT&T

BY LOUISE KEHOE IN SAN FRANCISCO

LEADING US computer industry companies are expected tomorrow to onveil plans in an attempt to usurp the hold of American Telephone and Telegraph, the telecommunications organisation, on the future of an operating system enabling different computers to communicate and share software programs.

Manufacturers are bracing for one of the most hard-fought battles over standards with analysts describing the outcome as likely to have a key impact on future industry rankings.

International Business Machines, Digital Equipment, Hewlett-Packard, Apollo Computer and unidentified followers are believed ready to announce their financial and technical support for the development of a new system – which, as manufacturers, they will all adopt – instead of the version supplied by AT&T and known as Unix.

This is currently used on about 5 per cent of all computers, but is quickly gaining support and is expected to grow faster than any other segment of the industry over the next few years.

By 1992 Unix will be a multi-billion dollar prodnct used on more than 20 per cent of all computers worldwide, according to a prediction by Dataquest, an industry monitor.

Until now, analysts say, growth of Unix has heen stunted because almost every compnter manufacturer that uses it has modified it in some way. Consequently, computers which speak different Unix "dialects" have been unable to communicate.

AT&T had hoped to resolve this hy developing a standard, unified version of Unix. Initially, this won broad support within the industry, but makers were alienated by AT&T's approach in forming a partnership with Sun Microsystems, a successful and fast-growing maker of computer workstations.

It chose Sun as the principal developer of the unified Unix, giving rise to objections that this gave Sun an unfair competitive advantage over other Unix users.

Hewlett-Packard, one of the largest sellers of Unix-based computers, calculates that Sun will gain a lead over competitors of six months to a year.

Hewlett and at least a dozen other big computer companies began expressing their concerns early this year, after AT&T annonnced plans to acquire an equity stake in Sun Microsystems.

Sikh extremists surrender after week-long Golden Temple siege

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government yesterday scored a significant victory in its four-year campaign against Sikh extremists in the northern state of Punjab when more than 140, including wanted terrorists, surrendered at the Golden Temple in Amritsar. This ended a seven-day siege by more than 2,000 commandos and paramilitary forces.

Shooting was continuing last night between security forces and more than 70 extremists who had refused to surrender. About 30 to 40 had shut themselves in a small gold shrine located in the middle of a large rectangular pool.

This shrine is the most sacred part of the complex and will be difficult for the security forces to penetrate.

Security is being tightened in New Delhi and elsewhere in case extremist Sikhs try to strike back. More than 400 were arrested in various parts of Punjab as they tried to start protest marches towards Amritsar, but the Government believes that most of the state's Sikh population is in favour of the action against the extremists who are fighting for an independent state called Khalistan.

The next stage of the siege is the most complex and sensitive for the security forces. During the past week's action they have carefully avoided entering the main sacred area because the Government is anxious not to repeat the massive army operation launched inside the temple complex four years ago in which about 1,000 were killed.

That battle caused widespread resentment among India's 12m Sikhs, led to the assassination five months later of Mrs Indira Gandhi, the Prime Minister, and was followed by a massive army sweep through the Punjab countryside which further alienated Sikh youth.

Four years later, the Government no longer imagines that a single operation in the Golden Temple – the Sikhs' most sacred shrine – can solve the Punjab problem.

More than 1,000 have been killed in the state this year and it is unlikely that a victory in the Golden Temple will do more than remove a small proportion of active extremists.

But the Government does hope that the tide is turning in the state against the extremists and that a victory will make it easier to push ahead with a peace initiative launched more than two months ago by Mr Rajiv Gandhi, the Prime Minister.

For that to happen, however, it is important that Sikh sensitivities should not be offended by the security forces' operations. Mr K. P. S. Gill, the police chief in charge of the operation, is believed to have prepared plans for a sudden final commando raid if necessary. But he hopes that the present policy of shooting at the extremists from rooftops outside the temple complex, and gradually taking over administrative and other less-sacred buildings, will wear the extremists down.

Paramilitary police guard women and children among Sikh extremists who surrendered yesterday after a week-long siege of the Golden Temple at Amritsar

Syria orders troops to halt Beirut battles

By Nora Boustany in Beirut

SOME 7,000 SYRIAN troops have heen ordered into Beirut's southern suburbs where rival Shia militia groups have been fighting bloody battles.They have been instructed to shoot at any fighters refusing to lay down their arms.

Should this operation succeed in rolling back the Iranian-backed Hizbollah militia to their enclave it would extend Syrian influence into the one area of Moslem Beirut which the Syrians do not at present control. It is widely believed that the 20 or so Western hostages are being held in this enclave.

Brigadier Ghazi Kanaan, Syria's Chief of Military Intelligence in Lebanon, announced at a hurriedly-arranged press conference at the seaside Beaurivage Hotel that Syria's armed forces had received orders to enter the southern suburhs to end the bloodbath.

Late last night, hours after Brig Kanaan's press conference, there was no sign that the Syrians had entered the contested areas in any force, although there were some skirmishes with the most advanced of the Hizbollah forces. Continued exchanges between the rival militias could also be heard.

At least 250 people have been killed and 1,000 wounded in eight days of internecine fighting among the extreme Hizbollah and the more moderate Shia Amal movement which has the backing of the Syrians.

In the fight for control of the sprawling slums on Beirut's southern edge, the Hizbollah have apparently been successful in pushing out the perimeter of their small enclave at the expense of the Amal who have fallen back towards the south and west where the Syrians have their security zone.

Six ceasefires arranged by Syrian and Iranian envoys have collapsed and a senior minister from Iran left Beirut for Damascus in dismay over the weekend after Iranian Revolntionary Guards and the local Hizbollah refused to heed calls for a truce.

Hizbollah fighters, donning red and hlack bandanas with the Iranian flag wrapped around their shoulders and chests, punched beyond the westernmost boundaries of the suburb of Bourj al-Barajneh into the area of Imam Rassoul Mosque late last week. This put them into territory abutting the Syrian lines and also on to the main airport road. Control of the road is important because it is Moslem Beirut's main link with the outside world.

Hizbollah fighters manning their most advanced position insisted that Syrian soldiers would not enter except with "agreement of the Iranians and with international guarantees."

This set the scene for confrontation and security officials said 40 Syrian Soviet-made T-54 tanks, scores of trucks and thousands of soldiers arrived from the Bekaa Valley and took up combat positions at key points on the suburhs' western edge over the weekend. Additional reinforcements were seen rolling down the mountain road yesterday.

Brigadier Kanaan told reporters that all the warring factions had been contacted in advance of the deployment.

Soviet troops face worst part of Afghan pullout

Continued from Page 1

message read. "The party believes in you and calls you into the forefront of the drive for revolutionary transformations of Soviet society."

The mood of the returning veterans is one of the great uncertainties in the Soviet Union, where Mr Gorbachev's reforms have already caused obvious turmoil in the ranks of the Communist Party.

According to the withdrawal terms negotiated under UN auspices in Geneva last month the Soviet troops will leave within nine months, half going by August 15.

In fact, the withdrawal is expected to be faster than scheduled with a quarter of the troops departing within the next two weeks so they are out by the start of the Moscow summit between Mr Gorbachev and President Reagan on May 29. All the rest of those leaving are likely to be out before the vicious winter sets in on the mountain route to the Soviet border.

However, a question mark remains over how many will leave. Western estimates put Soviet troop strength at 115,000. The Soviets talk about 90,000 to 100,000. The difference is probably Soviet "advisers" who are expected to remain.

Gulbudin Hekmatyr, leader of the alliance of the seven main resistance groups based in Peshawar on the Pakistani side of the border with Afghanistan, has vowed to attack Soviet withdrawal convoys in spite of concerted efforts by the US and Pakistan to persuade the Mujahideen to let the Soviets get out as quickly and peacefully as possible.

In a joint statement issued a few hours before the pullout began, Moscow and Kabul warned against any continuation of foreign aid to the Moslem rebels.

The warning said the UN withdrawal accords banned interference in Afghan affairs. It appeared aimed at Pakistan, which has hosted the rebels on its territory, and the US, which has supplied them with sophisticated weapons. However, Pakistan has indicated that it will not force the Mujahideen leaders to leave Peshawar although this would be required under strict interpretation of the accords.

Iranian loading can continue say oil officials

IRAQ'S attack on Iran's Larak Island oil-export operations in the Gulf's Strait of Hormuz is likely to cause some loading delays but unlikely to result in Iran's issuing notices of force majeur, oil industry officials told AP-DJ in Bahrain.

The officials, who are among Iran's crude-oil contract customers, said preliminary damage estimates indicate loading operations at Larak can continue at a reduced rate after two of seven crude-oil storage vessels were severely damaged in the Saturday attack. Three other oil tankers were also damaged.

Iran, which created an offshore oil-export operation around Larak Island in 1986 to reduce chances of Iraqi attacks, has an estimated 20m barrels of crude storage capacity in the area, and officials said there should be ample supplies to meet deliveries.

They said that the National Iranian Oil Company had not commented on the attack but that available information in the Gulf indicated that Iran would not be required to issue notices that it cannot meet delivery schedules.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Dubrovnik	F	21	70	Malta	S	23	73	Rhodes	S	31	88
Algiers	S	22	72	Edinburgh	S	13	55	Manchester	S	20	68	Rio de J'o	-	-	-
Amsterdam	S	24	75	Faro	F	19	66	Manila	C	37	99	Rome	F	20	68
Athens	S	22	72	Florence	C	19	66	Melbourne	R	14	57	Salzburg	S	24	75
Bahrain	S	31	88	Frankfurt	S	25	77	Mexico City	F	29	84	San Francisco	F	11	52
Bangkok	F	33	91	Funchal	C	19	66	Miami	F	21	70	Seoul	S	21	70
Barcelona	S	21	70	Geneva	S	20	68	Milan	F	21	70	Singapore	F	32	90
Beirut	F	27	81	Gibraltar	S	20	68	Montreal	S	9	48	Stockholm	S	16	61
Belfast	S	18	64	Glasgow	S	19	66	Moscow	F	16	61	Strasbourg	S	23	73
Belgrade	S	21	70	Guernsey	S	15	59	Munich	S	23	73	Sydney	S	21	70
Berlin	S	25	77	Helsinki	S	13	55	Nairobi	F	24	75	Taipei	R	20	68
Biarritz	C	14	57	H. Kong	C	27	81	Naples	F	20	68	Tangier	C	18	64
Bombay	-	-	-	Innsbruck	F	25	77	Nassau	F	29	84	Tel Aviv	S	42	108
Bordeaux	S	19	66	Inverness	S	13	55	New Delhi	S	35	95	Tenerife	C	23	73
Brussels	S	22	72	Islamabad	F	41	105	New York	S	13	55	Tokyo	C	19	66
Budapest	R	16	61	Istanbul	S	21	70	Nice	C	20	68	Toronto	F	9	48
B. Aires	C	17	63	Jakarta	R	32	90	Nicosia	F	35	95	Tunis	C	25	77
Cairo	S	44	111	Jersey	S	18	64	Oporto	S	19	66	Valencia	F	15	59
Cape Town	F	23	73	Jo'burg	S	21	70	Oslo	S	20	68	Venice	F	21	70
Caracas	C	29	84	Lima	C	24	75	Paris	F	25	77	Vienna	F	22	72
Casablanca	F	20	68	Lisbon	R	16	61	Peking	S	29	84	Warsaw	S	24	74
Chicago	R	23	73	London	S	21	70	Prague	F	22	72	Washington	C	16	61
Cologne	F	26	79	Los Angeles	C	16	61	Reykjavik	S	19	66	Zurich	S	22	72
Copenhagen	S	19	66	Luxembourg	S	21	70								
Corfu	S	23	73	Madrid	F	19	66								
Dallas	-	-	-	Majorca	F	21	70								
Dublin	S	16	61	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EC barriers set to fall

Continued from Page 1

effect no earlier than two years after approval of the directive, perhaps in mid-1990. Of the four poorest, Ireland wants to join Greece and Portugal in liberalising by the end of 1992, leaving Spain to lift controls by December, 1990.

Creation of a common monetary zone could also mean a significant evolution in the Community's external monetary stance, Ministers signalled. "There cannot be a closing off of the Community to the outside world," Mr Stoltenberg said, recognising it would be a technical near-impossibility, as well as a political mistake, to not also remove controls on capital flows with non-EC countries.

However, the directive may contain a commitment for all 12 EC states – not just those that participate fully in the European Monetary System (EMS) – to consider joint reaction to external monetary events, such as fluctuations in the dollar. The Commission has proposed amending an out-of-date 1972 EC directive designed to deal with dollar inflows into Europe at that time.

THE LEX COLUMN

Sorting out the referees

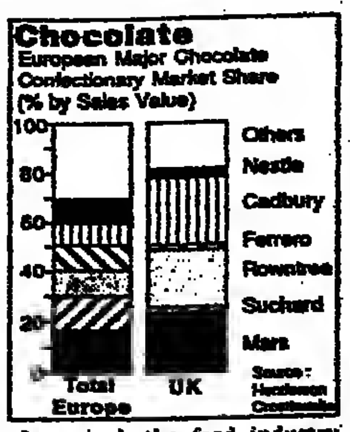
Lurking on the fringes of the debate over Rowntree is a persistent suggestion that British companies are somehow handicapped by British merger policy. In particular, several Government ministers have hinted broadly that Rowntree ought to be allowed to merge with Cadbury to repel the Swiss Invader. Beyond that immediate question lie wider issues: first, the shape of competition policy in the unified European market of 1992; second, the older argument on whether the UK should stop fussing over domestic monopolies and get on with building industry groupings which can survive on the world stage.

Some British officials are presently disposed to argue that this is not an issue at all. Their case was lucidly set out last week by Sir Gordon Borrie of the OFT. Merger policy in the UK, he said, is already international in its terms of reference, provided that international competition exists in fact. Two UK makers of automotive bearings were recently allowed to merge, despite their UK market share of 94 per cent, because bearings are an international market. But two funeral undertakers in Scotland were referred, because although they created no monopoly in the UK overall, they would not in fact be up against marauding undertakers from south of the border.

Chocolate soldiers

Measured on the scale between bearings and buryings, there is plainly no case for a merger between Cadbury and Rowntree. There is nothing to stop foreign chocolate coming into the UK, but the fact is that the natives do not like it. Of last year's UK chocolate consumption of 455,000 tonnes, only a net 19,000 tonnes were imported; in recent years, the import share of the UK market has not risen above 5 per cent. Combined, the two companies would have just over 50 per cent of the UK chocolate market, leaving their most formidable competitor, Mars, with less than half that amount.

The counter-argument says that loss of competition in the home market matters less than the ability to compete overseas. United Biscuits, in its unsuccessful fight for control of Imperial Group two years ago argued strongly that the UK needed a world-scale operator in the food industry. But there is scope for confusion here; unlike electronics or pharmaceuticals, where absolute size may well be a condition



of survival, the food industry remains stubbornly fragmented.

UB's position as number two in the US biscuit market, for example, results from its purchase in the early 1970s of an established US manufacturar; its own attempts to make Americans eat McVitie's Digestives have come to nothing. If companies such as UB or Rowntree stick to what they know, they may remain small enough to run the risk of takeover. But that is not the same as being economically inefficient; rather the reverse, if the premium which Nestle is offering for Rowntree is anything to go by.

European market

The view from Brussels on all this is different again. At present, the Commission can act on mergers only after the event, as was the case in the UK until 1965. Mr Peter Sntherland, the Commissioner in charge of competition, is energetically pushing for a pre-emptive European policy which will take precedence over national authorities such as the OFT or West Germany's Kartellamt. Needless to say, this is vigorously opposed hy member governments.

Take, for example, the hrewing industry. If the big UK brewers wanted to take advantage of 1992 to snap up their regional competitors – as well they might – it looks at present as if Brussels and the OFT would be at loggerheads. The OFT would argue that because pubs and barrels of beer are not readily exportable commodities, brewing mergers would fall into the category of Scottish funerals. The Commission would reply that a single market is just that, and that attempts to define it on a regional basis would be tantamount to splitting it up into a non-common market again.

In a sense, it is not clear why the two viewpoints should be opposed. The US anti-trust anthorities, for example, are empowered to consider mergers on both national and regional grounds; the UK company Beazer, presently battling to take over Koppers in the US, has received merger clearance on a national basis, but would have to sell off a quarry in California on the grounds that Koppers owns a Californian quarry as well. But then, the states of America have been united for rather longer than the states of Europe, and can take a more relaxed view of things.

Wrong targets

While it is possible to sympathise with both sides in the debate, the trouble is that the Rowntree case is a bad illustration of the issues involved. A dominant position in the UK chocolate market could well be abused because it would take a good deal to make the average UK consumer switch to chocolate from Holland or Belgium. A more pertinent case would be last year's blocked merger of Tate & Lyle and British Sugar, which under European rules would have been hard to oppose; bags of sugar, after all, are much the same wherever they come from.

Reverting to the Borrie argument, the real cases for treatment come in the field of heavy industry, where products are swapped around internationally on the basis of specification and price, and scale economies in research and production are of central importance. The UK has some notable snccesses here, such as ICI and Glaxo. But in sectors such as electronics or engineering, further concentration could well lead to greater economic efficiency, from the viewpoint either of Whitehall or of Brussels.

The irony is that the latest bout of British nervousness should have been sparked off in a consumer business like confectionery. In consumer products, promoting brands across national boundaries is notoriously difficult, but the British are rather good at it. The main reason why Nestle and Suchard want Rowntree is not only their failure in Rowntree's home market, but Rowntree's success in theirs. It is worth recalling that the classic global market in consumer non-durables is wines and spirits. There are four big players in that market, of which one – Seagram – is Canadian. The others are Grand Metropolitan, Allied Lyons and Guinness – all from the UK.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday May 16 1988

INTERNATIONAL BONDS

Regulators try to grasp the nettle of acceptable stabilisation

MANFUL SUPPORT or manipulation? The concept of stabilisation in the primary Eurobond market has always called forth a wide range of varying and impassioned semantic interpretations, writes Dominique Jackson.

Trying to come up with one that is universally acceptable will be one of the challenges faced by the joint standing committee of the Association of International Bond Dealers (AIBD) and the International Primary Market Association (Ipma) when it meets for the first time on Wednesday.

Stabilisation – where the lead manager supports the price of a new issue by buying it in the market – is a long-standing bone of contention and has just been theoretically outlawed in the UK under section 47 of the Financial Services Act.

Now the AIBD, which oversees secondary market trading, and Ipma, the new issues market advisory body, have joined forces to draw up rules for the primary markat designad to meet Britain's new regulatory framework.

However, syndicate managers remain sceptical abont their chances of success in enforcing further regulation on the Eurobond market which has grown up largely outside, some might say above, any regulatory net.

With the implementation of the Financial Services Act, stabilisation became an offence punishable with a fine and a prison sentence of up to seven years unless carried out on a designated exchange. Although the AIBD was recently accorded this status, Ipma – whose guidelines cover the new issue of Eurobonds – has no plans to become an exchange. Consequently, when the Act came into force on April 29, a set of transitional guidelines had to be hurriedly drawn up to permit stabilisation to continue.

These will be replaced in October by new regulations drafted by the joint committee with the objective of increasing transparency and curbing some of the more flagrant excesses perpetrated by lead managers in the cause of stabilisation.

The transitional rules effectively provide a clearly worded summary of most current acceptable stabilisation practices in frequent use. Certain practices, such as the keeping of detailed records of all transactions undertaken to support new issues, have now become obligatory.

However, as the majority of large houses already keep such a record, the interim measures have barely altered the status quo.

Within the market itself, stabilisation would appear to be far less clear-cut. "Does it imply smoothing initial distribution of an issue, does it mean bailing out lazy co-managers or does it mean that the lead manager becomes little more than the buyer of last resort?" asked one syndicate manager.

While a bond is still deemed to be in the primary market, the lead manager traditionally posts a price with the broker at a level which should give the members of the underwriting group a fair chance to sell the bonds on to end-investors.

"If you don't support your deal, there is nil incentive for your underwriters who can buy the bonds even cheaper in the market, you alienate investors who have bought in good faith and last but not least, you upset your borrower," commented another.

Since the recent shakeout in the market, with several houses forced out of business by fierce competition and shrinking margins, support of new issues has become even more crucial.

"It is no longer possible to bring a mispriced deal and just throw it out into the market. Not if yon want your suhsequent deals to survive. Houses that consistently let their deals drop like lead weights are walking on thin ice," one syndicate manager noted with a flourish of metaphors.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,538.7	232.5	246.0	7,338.0
Prev	350.3	4.6	418.0	6,393.7
Other	3,052.0	5.1	993.6	986.7
Prev	2,545.4	383.3	530.0	712.9
Secondary Market				
US$	12,704.0	988.9	5,851.6	4,686.1
Prev	12,118.9	1,246.9	6,806.8	5,421.1
Other	18,542.3	1,393.8	3,021.0	18,150.0
Prev	17,892.9	1,647.5	3,887.1	20,400.5

	Cedel	Euroclear	Total
US$	9,870.2	25,715.6	35,585.8
Prev	10,857.9	21,902.4	32,760.3
Other	21,066.1	25,087.4	46,144.5
Prev	22,257.0	25,742.6	47,999.6

Week to May 12, 1988. Source: AISD

This view is not held by everybody in the market, however. An official at another house commented: "The game is to make money and if people want to panic and offload their allotment, that is their view and not ours. By doing that, they are just letting us and others come back in to pick up the paper at attractively low levels."

Crédit Suisse First Boston attracted some criticism last week by apparently declining to lend any support to two new issues, a C$100m five-year deal for Landesbank Schleswig Holstein and a £75m straight bond-cum-floating rate note for Banco di Roma. The first was deemed aggressively priced while several people apparently had prohlems with both the unusual structure and the less than attractive borrower name on the second deal.

The issues fell, to trade well outside their fees after launch. However, by the end of the week they had recovered somewhat to levels closer to, but still not back inside, their fees.

The stahilisation policy of every house is bound to differ in some respect and is naturally determined by the character of each individual issne. Tha applause accorded for Baring Brothers' action to short-squeeze sellers of its recent £75m issue for Société Nationale des Chemins de Fer indicates the market's reluctance to have their scope to stabilise issues curtailed in any way. Nevertheless, tighter guidelines would make such strategies very risky in the future.

Most syndicate managers agreed that clearer rules would be helpful to eradicate what they saw as the unacceptable face of stabilisation. Others argued thet more realistic pricing of new issues would do away with the need for extreme measures such as aggressive shorting of bear sellers.

However, this seems somewhat utopian given that the pricing of so many deals is now largely determined by factors such as borrower relationships, available swap rates or merely the manic compulsion to clock up the most deals, be they good, bad or indifferent.

The naw regulations themselves should hopefully go some way to redressing this. As the authorities' eyes get keener, many syndicates will be discouraged from coldly and cynically bringing mispriced issues which they had previously been able to stash quietly away in their own accounts after a respectable period.

It should also make life easier for many beleaguered underwriters who until now have heen effectively unable to call the lead manager to account for exactly how, when and where the underwriters' money has been spent.

There remains, however, a tangible indignation that the Eurobond market is being drawn under the same regulatory net as other parts of the securities industry. Many syndicate managers argue that the new regulatory framework was devised to protect mainly the smaller investors who have never been able to play the Eurobond market.

"It's all very well to try and protect the widows and orphans and the British Gas shareholders but this market has always and will always be run by professionals who are hardly in need of this kind of protection," commented one. Complaints about the sudden huge increase in paperwork are also frequent.

The UK Government has recently been subjectad tn intense pressure about the severity of the new regulations which are seen as harmful to the offshore securities industry and many Eurobund market operators are still hopeful that some exemptions from the tighter rulings will be forthcoming.

The co-operation between the AIBD and Ipma is expected to instil a modicum of discipline into what has historically often been a free-wheeling sector of the market, and hoth organisations have undertaken to draft a set of fairly stringent regulations. However, these are unlikely to be watertigbt and the Eurobond market, with its reputation for innovation and versatility in the face of a challenge, is unlikely to delay exploiting any possible loopboles.

EUROCREDITS

Banks shift back to the centre stage of international finance

AS ANYBODY who follows the business will know, banks have been taking advantage of the retreat of the securities markets and moving back to centre stage in international finance, writes Stephen Fidler.

The extent to which this is a permanent shift is a question that occupies many banks and securities houses. The Bank of England last week contributed its view to this debate in its Quarterly Bulletin – together with a quiet word of warning to the banks in the business.

At times of economic instability, banks naturally assume a greater role in the intermediation of funds, in part because of their superior analysis of credit quality and because their sources of funds are more secure than bond investors.

Yet, much of the growth in syndicated credits – $88bn announced in 1987 against $30bn the year before – has been in multi-option facilities (MOFs), standby arrangements which imply a role for security issues such as commercial paper.

The Bank also notes there is still capacity to borrow through large and liquid bond issues, and domestic markets have seemed more resilient than international markets. "As a result, there may be only a partial shift in the locus of intermediation back to banking," the Bank concludes.

The Bank also suggests that, in contrast to the bond markets, the syndicated credit market is failing to distinguish adequately between different quality credits. "Risks may be, to some extent, underpriced," it says.

In a discussion of multi-option facilities, the Bank comments on "a danger that tightly-priced MOFs will be drawn most heavily when market liquidity is tight and at a time when the pricing of the MOF will be furthest out of line with prevailing market conditions."

Further evidence emerges every week of the way bankers are willing to structure and syndicate financings which might a couple of years ago have been the prerogative of the securities houses.

In France, a $1.2bn management bnyont of Darty, the Frencb electrical retailer, is expected to be financed largely by a syndicated bank credit through Crédit Lyonnais.

In fact, the syndication – thought to be over 12 years at a fixed rate – looks very much like a private bond placement among banks.

The shifting by Elders IXL of 5,000 UK public houses to a joint venture company between it and Hudson Conway, an Australian property group, is being financed partly by a non-recourse loan of about £850m. This financing is likely to reach the market over the next two weeks, with Citicorp and Crédit Suisse First Boston tipped to be leading it.

Italian borrowers seem to be returning to the market. Autostrade, the Italian motorway concern, said to have awarded a mandate to three banks to raise an Ecu200m loan, over nine years.

The banks are Banca Commerciale Italiana, Dai-Ichi Kangyo, and Citicorp. It carries a margin of 15 basis points for the first seven years and 17½ basis points for the last two.

Crédit Lyonnais has launched a $200m, five-year MOF for Renault Véhicules Industriels, the truck manufacturer, which carries a 16 basis point facility fee, and a margin of 15 basis points for Eurocurrencies and 20 basis points for French francs.

Schroders said it is raising a £65m facility for Colonial Mutual, Australia's third largest life assurance company. It carries a margin of 30 basis points and a commitment fee of 12½ basis points.

Merrill Lynch launched a $75m facility for Bangkok Bank with an underwriting fee of 6¼ basis points, a margin of 6¼ basis points and fees of 6¼ basis points for any amount drawn over 50 per cent.

Manufacturers Hanover, whose deal for CIT Group was raised to $300m from $250m, is expected to launch a deal this week for Sparebanken Midt-Norge, Norway's second largest savings bank.

The facility fee is 10 basis points, and the margin 12½, with utilisation fees of 5 basis points if more than half drawn and of 10 basis points if drawn more than 75 per cent.

More Texas financial institutions in trouble

By Janet Bush in New Yurk

SIGNS ARE emerging of deepening tronhles at Texas savings institutions, adding to continning prnblems with many of the state's banks.

At the weekend First RepublicBank, whicb received $1bn in emergency aid from the Federal Deposit Insurance Corporation (FDIC) in March, said it had snspended payments nn $1.3bn in long-term debt, a move which is expected to save $78m in annual interest payments.

First RepnblicBank is tbe largest banking company in Texas with $28.4bn in assets. The FDIC is now searching for bidders to buy the bank, which became insolvent after losing $1.5bn in the first quarter.

There were also reports that Sunbelt Savings Association of Texas lost abont $1.2hn in the first quarter and may have to be bailed ont. Sunbelt is one of the largest savings and loans institutions in the state with $3.3bn in assets at the end of last year. By regulators' measurements, Sunbelt had a negative net worth at the end of December of $447.8m.

According to tbe Federal Savings and Loan Insurance Corporation (FSLIC), the Texas savings and loans industry had a negative net wortb of $10.1bn at the end of last year, widened from a negative $1.1bn a year earlier.

Mounting losses at thrift institutions bave prompted speculation that the FSLIC will have to ask Congress for another infusion of capital. Only last summer, Congress voted for a $10.8hn infusion into the FSLIC.

Regulators at the Federal Home Loan Bank Board (FHLBB) in Wasbington announced at the weekend the first of many mergers planned for the next two years to consolidate abont 140 Texan savings institntions into around 30 stronger companies.

Speculators count losses on Staley

BY CLAY HARRIS

SPECULATORS in the shares of Staley Continental, the US corn syrup group which has accepted an increased $1.48bn takeover bid from UK sugar refiner Tate & Lyle, will be counting their losses when Wall Street opens today.

Mr Neil Shaw, Tate chairman, said yesterday he did not expect any late bids to emerge to challenge the deal, which will make Tate the largest US producer of sweeteners, or to rescue the arbitrageurs who hold up to 60 per cent of Staley's shares.

Staley's unanimous recommendation of Tate's new $36½ a share bid, announced late on Friday, means that almost anyone who has bought into Staley in the past four weeks faces a loss, in some cases as much as $2¼ per share.

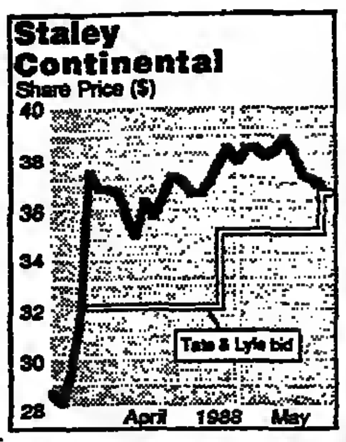
However, those who held shares in Staley – a long-time bid target – before Tate launched its initial offer of $32 on April 8 and resisted piling in afterwards have made a healthy profit. Staley shares have traded as low as $16¾ within the past 12 months.

Under the terms of the agreement with Tate, Staley is forbidden from soliciting or encouraging other bids, although it would be required to consider any which materialised.

Since Staley failed to come up with an alternative to Tate in a month of studying leveraged buy-out and recapitalisation possibilities and holding takeover talks with third parties, Mr Shaw said it was unlikely anyone would now mount a higher offer.

"We made sure our original offer was just above the calculations of the break-up artists," Mr Shaw said.

Although Tate's offer does not close until May 27, a team from the UK company will move into Staley later this week to get to grips with the group's financial systems.



Mr Shaw said a new chief executive for Staley was likely to be appointed from within the ranks of the US company's operating management. However, few of the top executives at Staley's suburban Chicago headquarters, which Tate plans to close, are expected to remain.

Tate's agreement to observe the "golden parachute" contracts for Staley's departing directors and senior managers will cost between $65m and $100m. It expects many less senior employees to forgo their "tin parachutes" and stay with Staley.

Tate intends to sell CFS Continental, Staley's food distribution subsidiary, through an auction handled by Morgan Stanley, its US adviser. Tate expects to complete the disposal for at least $600m before the end of its financial year on September 30.

By winning Staley's recommendation, Tate ironically is now shielded by the very Delaware anti-takeover law which it had unsuccessfully challenged in the state's courts.

Mitel cuts losses to C$24m

By David Owen in Toronto

MITEL, the Canadian telephone exchange switch manufacturer which is 51 per cent owned by British Telecom, has reported a reduced deficit for its year ended March 25.

Net losses totalled C$24.3m (US$19.7m) or 38 cents a share, compared with C$51.5m C$1.10 in the year ended March 1987. Revenues fell by 7.5 per cent to C$419.2m from C$453.4m.

Figures for the latest period include a C$3.3m extraordinary gain. Also included are unusual losses of C$20.7m, which have been incurred or are expected in connection with a previously announced plan to streamline operations. In March, Mitel said it was to shed 410 employees, close to 10 per cent of its international workforce.

The previous year's result had included an extraordinary loss of C$41.6m.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nissin Food Products‡♦	300	1993	5	4	100	Nomura Int.	4.000
Mitsubishi Oil‡♦	100	1993	5	4	100	Yamaichi Int.	4.000
Keihan Electric Railway‡♦	150	1993	5	4	100	Nikko Secs.	[illegible]
Yamanouchi Pharm.♦	300	1993	5	(4¼)	100	Nikko Secs.	-
CANADIAN DOLLARS							
LB Schleswig-Holstein♦	100	1993	5	10⅛	101¼	CSFB	[illegible]
Mass Transit R'way Corp♦	100	1991	3	10	101	Citicorp Inv. Bk	[illegible]
Toyota Motor Credit Corp♦	100	1991	3	10	101½	J P Morgan Secs.	9.453
SWISS FRANCS							
Rural&Ind.Bk W.Aust**(b)♦	80	1993	-	4⅞	101¼	Bqe Paribas (Suisse)	[illegible]
Kurogane Kosakusho**§	20	1993	-	(¼)	100	Royal Trust Bk	*
Japan Fin.Corp.Mcpl.Ent.♦	100	2000	-	4⅝	100¼	UBS	[illegible]
New Brunswick Electric**♦	75	1992	-	4	101½	Credit Suisse	3.625
YEN							
Toronto Dominion Bk(e)♦	10bn	1993	5	5	101⅞	Nomura Int.	4.572
FNMA(e)♦	10bn	1993	5	7	101⅞	Nomura Int.	[illegible]
FNMA(e)♦	10bn	1993	5	6	101⅞	Nomura Int.	[illegible]
K-O-P(e)♦	10bn	1993	5	5	101⅞	Nomura Int.	4.572
Swedbank♦	10bn	1993	5	5	101⅞	LTCB Int.	4.572
STERLING							
English China Clays§♦	40	2003	15	6½	100	Schroder Wagg	[illegible]
Center Parcs§	60	1998	10	(c)	100	Morgan Grenfell	*
National Mutual Grp Fin.♦	120	1993	5	10	100⅜	CSFB	9.512
Banco di Roma♦	75	1993	5	(d)	101¼	CSFB	*
John Mowlem♦	50	2013	25	11½	101.15	Kleinwort Benson	11.368
Halifax Building Soc.‡♦	200	1998	10	(a)	100	CSFB	-

*Not yet priced. **Private placement. ♦Final terms. ‡Floating rate note. ‡With equity warrants. §Convertible. (a)Coupon will be [illegible] Libor. Subordinated debt. (b)Issued 6/5/88, but amount raised on 9/5/88. (c)Coupon is indicated at 9½ to [illegible]. (d)Coupon is set at [illegible] and thereafter will be set at 10 basis points over 6 month Libor. (e)Dual-Currency principal redeemable in US$. [illegible] basis.

UBS bonds chief quits London for Zurich

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

IT IS 32 years since Mr Armin Mattle left Switzerland for London to embark on a career in the securities business. Now he is returning to Zurich to head the capital markets department at the head office of Union Bank of Switzerland.

Thus another senior figure in the Eurobond market departs from London, although he will not be withdrawing from the Eurobond business altogether. His new position, which he will take up in August, will give him responsibility for both international and the Swiss domestic bond markets, as well as the bank's corporate finance business.

Mr Mattle, 53, heads UBS's London securities subsidiary which he was appointed to set up in 1974. He was a founder member of the Association of International Bond Dealers.

His spell as chairman of the International Primary Market Association has been marked by the efficiency for which he is renowned. Ironically, his firm has often in recent years been at the centre of primary market controversy over the way it has distributed, or rather not distributed, underwriting commissions to co-managers of Eurobond issuers.

He has been at the centre of the Eurobond market since the US interest equalisation tax of 1963 first spurred its growth. As a result, he is sceptical about the likelihood of realistic pricing of new Eurobonds (of which there have been some examples in recent months) becoming a permanent feature of the market.

"It's not necessarily because there are too many houses. It's more to do with the way that the houses have been operating. They have aggressively gone for lead management positions for all sorts of reasons including perceived borrower relationships and league table positions, and they have sacrificed profitability."

However, he sees interesting developments ahead in the Swiss market. "While I'm giving up a lot of interesting things in London, the Swiss capital market has become very liberal compared to what it was five or more years ago. There will be further changes in the years to come. I think we have now got a momentum that will carry us forward quite rapidly."

He doubts the Swiss franc will become a Euromarket currency any time soon, "but there are very strong possibilities that the turnover tax will be abolished within the year and that has been a factor which has severely hindering the Swiss market."

Armin Mattle: 'Traders have sacrificed profitability'

Osaka Sanso 76% ahead

PRE-TAX profits of Osaka Sanso (OSK), the Japanese industrial gases company in which BOC Group of the UK has a controlling interest, surged 76 per cent in the six months to March to reach Y818m ($6.57m), writes Ian Rodger in Tokyo.

The company is forecasting an even stronger recovery in the second half, thanks to a recovery in the steel and semiconductor related industries and the fruits of rationalisation programmes.

Pre-tax profits in the full year to September are likely to more than treble to Y1.6bn.

Sales in the first half rose 12 per cent to Y21.2bn and are forecast to rise 11 per cent to Y42bn in the full year.

New head for Perwaga

THE MALAYSIAN Government has appointed Datuk Eric Chia, a leading industrialist, to head Perwaja Steel, the trouble-plagued 1.2bn ringgit (US$460m) government steel project, writes Wong Sulong in Kuala Lumpur.

Datuk Eric, chief executive of United Motor Works, was selected by Dr Mahathir Mohamad, the Prime Minister, who is alarmed at heavy losses incurred by the project.

Perwaja, in the east coast state of Trengganu, is one of many heavy industrial projects set up under Dr Mahathir. It has lost more than 400m ringgit since operations began three years ago. The complex will now be hived off from the Heavy Industrials Corporation (Hicom).

US MONEY AND CREDIT

Interest rate jitters highlight need for Fed caution

AT A MEETING of money market economists and financial journalists in New York last Thursday, speculation about a rise in international interest rates was on everybody's minds but nobody seemed to want to tempt fate and mention it.

This superstitious behaviour was hardly surprising after the wave of selling which hit equity markets from Tokyo to New York last Wednesday on the merest mention by Mr Nigel Lawson, UK Chancellor of the Exchequer, of *the theoretical possibility* of a co-ordinated round of interest rate increases.

This extraordinary bout of nerves in world equity markets was somewhat baffling since interest rate fears have been around for some time. The bond market (and indeed the currency market) was left almost completely unmoved by Mr Lawson's now celebrated remarks.

This kind of nervous overreaction does, however, offer one compelling reason for a subtle approach to any tightening in monetary policy by the Federal Reserve.

Bond prices had pretty well discounted all the interest rate fears which have been building up, and were little affected by the anticipated round of half point prime rate rises to 9 per cent. And, judging by what appeared to be very reasonable demand at the Treasury's refunding, investors seemed to be less than panicked about prospects for rates and the dollar.

By the end of a nerve-wracking week, things were ganerally looking up. Equities retraced much of what they had lost on Wednesday, bonds rose nearly a point on Friday and the dollar was rock steady against every currency except the troublesomely strong pound.

The related concerns about higher inflation and rising interest rates had softened somewhat by the end of the week. On the inflation front, the bond market was lifted nearly a full point on Friday by a set of relatively encouraging producer prices figures. Taking out the volatile food and energy component, prices rose by only 0.1 per cent in April.

Some of the gloss was taken off the positive reaction to these figures by the subsequent surge on Friday afternoon of the Commodity Research Bureau's index. Navertheless, the mood oo the inflation front was noticeahly more sanguine as markets closed on Friday.

On interest rates, the received wisdom earlier in the week that the Fed was now targeting Fed *Funds at 7¼ per cent was beginning* to be questioned. It is still difficult to tell given the volatility of Treasury balances held at the Fed during taxpaying season, making it difficult for tha Fed to jndge how mnch it should he adding or draining from the market.

A certain momentum had built up since the unemployment figures were released a week before, around the idea that the Fed was tightening, some thought quite aggressively. One idea-shaping influence was an article in the Wall Street Journal last Monday, quoting Fed officials as saying they were tightening. Another was the apparent confirmatioo by Mr Beryl Sprinkel, the White House economist. No Fed officials have confirmed anything on the record.

By the end of the week, Fed funds had drifted lower from the high of 7⅛ per cent to close the week a touch above 7 per cent. The Fed's announcement that it was doing a weekand system *repurchase when funds were at* 7⅛ per cent probably simply means the Fed has more adding to do and, until settlement on Wednesday, it will be difficult to guage whether it means anything else.

Fed watcher Ms Danuta Zielonka of Zielooka Research believes the Fed is making policy slightly more restrictive, that interest rates are heading higher but that the process will be very gradual. She believes that at this stage the Fed is probably targeting Fed funds between 6¾ per cent and 7 per cent but erring towards the top end of that range.

"No-one talks about snugging any more. It's just easing and tightening. In an election year, the Fed has to be careful about overt policy changes. Fed funds may be on their way to 7¼ per cent to 7½ per ceot but they are getting there very slowly," she said.

This week, all eyes will be on tomorrow's release of March US trade figures and on currency markets. Given the wildly inaccurate forecasts of February's shocking trade number, there is a degree of nervousness. Analysts' forecasts range widely between a deficit of $13.5bn and a shortfall of $10bn.

* * *

The following economic statistics are due for release this week. With them are median forecasts of a group of economists surveyed by Money Market Services of Redwood City, California.

●Merchandise trade for March, due tomorrow. The median forecast is for a deficit of $12.4bn.

●Industrial production for April, also due for release tomorrow. Estimates range from a rise of 0.2 per cent and an increase of 1.2 per cent with a median forecast of 0.6 per cent.

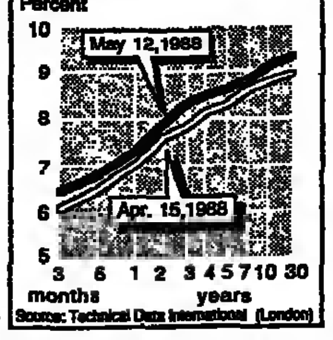
●Capacity utilisation in April will be published on Wednesday. Estimates range from a usage rate of 82.3 to 83.0 with a median estimate of 82.6.

●Consumer prices index for April, due for release on Friday. Given inflation concerns, this indicator will be particularly closely watched by the bond market. Estimates for the CPI range from a rise of 0.2 per cent to an increase of 0.6 per cent.

Janet Bush

US Treasury yields

Percent



Source: Technical Data International (London)

Campeau reports substantial loss for 13-month period

BY DAVID OWEN IN TORONTO

CAMPEAU, the Toronto-based property and retailing group which recently bought Federated Department Stores for US$6.64bn, has reported a substantial loss for the 13 months which ended on January 31, a period during which revenues increased more than threefold.

Net losses from continuing operations totalled US$203m or $5.23 a share, compared with profits of $61m ($1.43 a share) in 1986.

Revenues leapt from $977m to $3.53bn, largely reflecting the $3.26bn of merchandising revenue from New York-based Allied *Stores, which was acquired* by Campeau late in 1986.

The group attributed its loss over the past 13 months to accounting charges, including $35m for amortisation of goodwill, $98m of depreciation charges and $122m in amortisation of financing costs.

In addition, 16 retail divisions inclnded in assets for sale recorded a net loss of $51m.

Operating profit from continuing operations was $450m, of which Allied's six continuing divisions contributed $335m.

Rental operating profit rose by more than 40 per cent to $146m from $103m in 1986. By contrast, an operating loss of $31m was sustained on property, as a result of provisions

●Pacific Enterprises, the California operator of the Thrifty drugstore chain, is to purchase 110 pharmacies and 37 Bi-Mart stores in the Pacific north-west from Pay 'n Save for 5.2m shares valued at about $232m, Reuter reports from Los Angeles.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.16	6.67	6.76	7.78	6.27
Three-month Treasury bills	6.18	6.30	5.86	7.27	5.83
Six-month Treasury bills	6.42	6.52	6.19	7.66	5.81
Three-month prime CDs	7.25	7.15	6.90	8.28	6.57
30-day Commercial Paper	7.06	6.88	6.80	7.62	6.43
90-day Commercial Paper	7.19	6.95	6.87	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97¾	nil	8.80	8.78	8.53
20-year Treasury	101¾	nil	9.21	9.20	8.99
30-year Treasury	96⅞	[illegible]	9.17	9.16	8.95
New 10-year "A" Financial	n/a	n/a	9.95	9.86	9.65
New "AA" Long utility	n/a	n/a	10.25	10.26	10.05
New "AA" Long industrial	n/a	n/a	10.20	10.15	9.95

Source: Salomon Bros (estimates).

Money supply: In the week ended May 2, M1 declined $1.5bn to $776.4bn.

NRI TOKYO BOND INDEX

December 1983 = 100	May 12	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	144.98	4.37	144.58	142.23	137.66
Government Bonds	144.94	4.00	145.67	142.77	138.89
Municipal Bonds	145.37	4.60	146.18	143.91	137.74
Govt.-guaranteed Bonds	146.84	4.78	147.56	145.34	138.56
Bank Debentures	137.71	4.28	138.05	136.59	133.29
Corporate Bonds	145.47	5.32	143.45	141.75	135.88
Yen-denom. Foreign Bonds	144.27	5.40	144.08	142.66	138.24
Government 10-year†	4.98	–	4.30	4.86	5.28

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Banking emperor has no clothes

ON FRIDAY, as the Bank of England observed the irresistible rise of sterling, it may well have been reflecting ruefully on the coincidence of the release of its Quarterly Bulletin and Prime Minister's question time.

While the Bank was admitting that it was caught between two opposing but equally powerful views and that it was not wholly pleased with the current monetary stance, Mrs Margaret Thatcher was being less than total in her endorsement of the Chancellor of the Exchequer's exchange rate strategy.

With the political background complicated by a tiff between the Prime Minister and Mr Nigel Lawson, the Chancellor – and further muddied by the support by Sir Geoffrey Howe, the Foreign Secretary, for early full entry into the European Monetary System – the Bank is left with high hopes and few policies.

The hopes are that the politicians will begin to act like grown-ups again, and that there will be an early resolution to tension created by the differing internal and external views of Britain. Some say a bad set of US trade figures tomorrow could mark a turning point for sterling and lead to another run on the dollar. This is no more than clutching at straws.

As for policies the Bank is somewhat like the emperor in the fairy-tale: it has no clothes. Unlike the same emperor it suffered from no delusions and recognised its nakedness before having it pointed out. For this, its stocks have risen in the City.

The gilt-edged securities market greeted with relief the Bank's admission that it would prefer higher interest rates and a lower effective exchange rate. Technical factors seem to be at least as important for the modest recovery in prices on Friday; what is less certain is whether a firm tone for the market can be sustained.

The market is clearly impressed by the Bank's endorsement of the Chancellor's line that the present conjuncture represents a net tightening in policy. It is less clear, however, if the market fully appreciates the lack of empirical evidence underpinning this judgment.

As Mr Gavyn Davies of Goldman Sachs pointed out, models of the UK economy are not generally designed to take conflicting inputs on interest rates and exchange rates. Most models work on the basis of a rise in interest rates dampening inflation via the exchange rate effect.

To shock a model with a simultaneous rise in the exchange rate and a cut in interest rates does not produce sensible answers. One is left, therefore, with a judgment concerning the degree of monetary tightness imparted by the contrary move of interest and exchange rates.

The Bank, and it must be said Mr Davies as well, believes that it does lead to a tightening. It is for this reason that the Bank is slightly more positive in its assessment for the UK, although the operative word here is "slightly."

In the Bulletin it draws attention to the trend in the gross domestic product deflator, which was registering 5 per cent at the end of last year, as well as trends in wages, competitiveness and house prices, all of which amount to a still deep-seated concern with cost pressures.

There is also another serious concern: that the present policy mix is the least desirable way in which to achieve more balanced growth for the UK. There are few in the Bank and even fewer in the City who believe that the best way for the UK to slow down to a sustainable rate of growth is by negative net exports.

The problem has been how to slow the rate in expansion of domestic demand. The three effects of the higher exchange rate the Bank offered – the "cumulative pervasive restraining influence" on wage settlements, profits and import prices – do not seem to be the best way of attacking the root of the problem.

Implicitly, therefore, it would seem that the Bank shares the concerns of the domestic players in the market more than foreigners who have been so attracted by sterling since March. The problem is no more, possibly even less, tractable than it has been, and the Bank admits frankly that it just has to sit back and wait for the markets to resolve it.

●With speculation again mounting over the Chancellor's future, one large securities house conducted a straw poll of its institutional clients during a series of lunches over the last week or so. Would Mr Lawson's departure from No. 11 be good for long-dated gilts? The answer was an unambiguous yes. The institutions think he is soft on inflation.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN BANK 8½ 91	150	99¾	+1	8.59
AETNA LIFE & CAS 7⅞ 16	200	94¼	-⅛	8.28
ANFC O/S FIN 11¼ 94	100	101	+⅛	11.47
A.I.O.C. 11 89	75	101¾	-⅛	8.95
ALBERTA 7⅞ 91	750	96⅛	0	8.66
ALCOA AUSTRALIA 11 92	80	102⅝	+⅛	10.26
AUSTRALIA 11½ 90	100	104⅝	+⅛	9.02
AUSTRALIA 11½ 00	100	107⅛	+⅛	10.09
AUSTRIA 7⅞ 97	200	88⅝	-⅛	9.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 13 90	150	107½	+⅛	9.36
QUEENSLAND GOVT 11½ 89	100	103⅝	-⅛	8.76
RALSTON PURINA 11¼ 95	150	106¾	-⅛	10.37
REYNOLDS R.J. 10¼ 93	100	103¼	-⅛	9.41
RICHARDSON-VICKS 11½ 93	125	105½	-⅛	10.07
ROCKWELL INT 9⅝ 90	200	102½	0	8.58
S.A.S. 10⅝ 95	150	102¼	-⅛	9.85
S.N.C.F. 7⅞ 94	175	91¼	-⅛	9.30
SASKATCHEWAN 7 91	125	96¾	-⅛	9.01
SASKATCHEWAN 8½ 91	150	100¼	-⅛	8.45
SASKATCHEWAN 11¾ 89	100	104⅝	-⅛	8.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
SOUTHWEST AIRLINES 6⅛ 98	35	79¼	-⅛	80.78
SWISS BANK CORP 6⅝ 90	120	100	-3	-5.21
TEXACO CAPITAL 11¼ 94	500	111⅛	-⅛	10.85
XEROX CORPN 5 88	75	98	0	176.75

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED SIGNAL 6⅛ 93	20.00N	107⅞	-⅛	5.00
AVON CAPITAL 6⅝ 91	26.00N	105¼	0	5.10
BARCLAYS O/S INV 6 96	40.00N	103⅛	0	5.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Further sections (OTHER STRAIGHTS, CANADIAN DOLLAR STRAIGHTS, D-MARK STRAIGHTS, SWISS FRANC STRAIGHTS, ECU STRAIGHTS, AUSTRALIAN DOLLAR STRAIGHTS, STERLING STRAIGHTS, FLOATING RATE NOTES, EQUITY WARRANTS, CONVERTIBLE BONDS, WARRANTS): [illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. [illegible]

FLOATING RATE NOTES: US dollars unless indicated. [illegible]

CONVERTIBLE BONDS: US Dollars unless indicated. [illegible]

WARRANTS: [illegible] Closing prices on MAY 13

UK COMPANY NEWS

Clay Harris takes a look at CH Industrial's interest in Manganese Bronze

The passenger who may want the driver's seat

MR JAMIE BORWICK, managing director of Manganese Bronze Holdings, could be forgiven if he feels like a taxi driver who has discovered that his latest fare is just a little too eager to suggest the best route to take. He may find, however, that this is only the beginning: the passenger may have his eye on the cab itself.

After nearly doubling its stake last week CH Industrials, the chemicals and specialist engineering group, now owns 20.37 per cent of Manganese Bronze, the only manufacturer of the traditional London taxi. CHI is not the sort of shareholder to lean back in the seat and enjoy the ride.

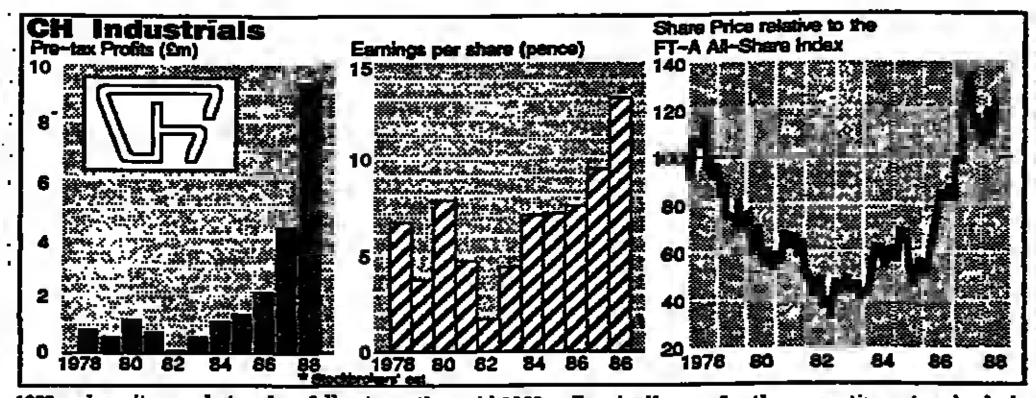
Mr Tim Hearley, CHI chairman, disavows any hostile intention. His company is an investor, he emphasises, one whose long-term view is underlined by the willingness to issue its own shares to finance the purchase of the stake.

He will, however, have certain propositions to put to his counterpart. Does the powered-door business really fit into Manganese Bronze? If it were to become available, CHI might just be interested, perhaps as a joint venture.

In the City, CHI-watchers suggest the ambitions are wider, extending to the taxi business itself. Aston Martin Tickford, CHI's automotive and railway design engineering subsidiary, already does projects for Manganese Bronze. As a specialist producer of low-volume vehicles, Tickford could benefit from a more formal link with the taxi manufacturer.

There is no reason to expect, however, any abrupt move in this – or any – direction. Under Mr Hearley, CHI has taken a slow but steady course in building a diversified industrial group from the company's nightmare in the early 1980s.

Against the nadir of August



Tim Hearley – If they don't perform, I can bid for them. If they do, we're delighted.

1982, when its market value fell to only £2m, CHI was worth £100m just before the October crash and has since recovered to more than £80m. Profits have shown similar growth, and turnover is likely to break £175m in the current year.

CHI's products extend from car sun-roofs, of which it is the only UK original-equipment supplier, to carpet rods to stone manequins. The breadth of the group now is in marked contrast, however, to its beginnings.

Originally Coventry Hood and Sidescreen, the company came to market in 1964 as the UK's leading manufacturer of hoods – convertible tops – for sports cars. Before the phrase was coined, it was a profitable niche business. Until the late 1970s, CHI had diversified only into trim.

An Oxford physics graduate, Mr Hearley studied production process engineering before going into the City as chemicals and mining analyst, and then a partner, at McAnally Montgomery, a stockbroking firm long since merged into what is now CL-Alexanders Laing & Cruickshank.

Because his father-in-law, who headed the company, had died not long before CHI's flotation, Mr Hearley had been looking after the family's equity interest since the mid-1960s. (Ironically, Mr Borwick also succeeded his father-in-law at Manganese Bronze, but more directly).

Mr Hearley bought part of his mother-in-law's stake to become the largest single shareholder with 15 per cent. As a non-executive director, he began to push for diversification.

In March 1977, CHI won a bitterly contested £1.2m bid for Beaver Group, which makes building chemicals, paint and block foam for furniture.

"We had to be able to buy something cheap because our paper was so lowly rated and we didn't have much cash," Mr Hearley recalls. But there was worse to come.

In the early 1980s, BL ended production of the MG and TR7, wiping out demand for convertible hoods – which still provided the hulk of CHI's profit. "It seemed a very strange decision," Mr Hearley says. "It was a stupid decision. We lost £5m of turnover in that year."

The crisis provoked Mr Hearley to take management control and to bring in Mr John Kinder as managing director. Mr Hearley and the rest of the family, which still owned 15 to 20 per cent, acknowledged that their holdings would have to be diluted as CHI issued shares for acquisitions.

In the meantime, tough decisions had to be made. The original hoods factory at Bedworth, Coventry, was closed and the small remaining production moved to Telford.

Beaver had brought 30 acres of land in Buckingham, which CHI decided to develop. With industrial businesses going through a bad patch, property contributed such a large proportion of profit that some analysts drew misleading inferences about the company's future.

Nevertheless, Protea Properties, with an unbroken growth record over 10 years, helped to keep CHI afloat long enough for Beaver's loss-making paint business to be turned around.

For several years in the early 1980s, CHI was best known for its partial ownership of Aston Martin, the sports car maker. This arose through Aston Martin's unsuccessful campaign to keep MG alive. The quid pro quo for CHI's hope of supplying components was equity participation.

When CHI sold its share of Aston Martin, it retained Tickford. The first independent assembly contract, the cabriolet version of the Jaguar XJS, enabled CHI to re-open the Bedworth factory.

Tickford has produced souped-up Metros and Capris, as well as "stretched" limousine versions of Manganese Bronze's taxis. It also did General Motors' production engineering for the Buick Reatta. "We can take on anything from the drawing board to the complete car," Mr Hearley says.

Tickford also designs and procures the components for the interiors of railway carriages made by Metro Cammell.

In recent years, CHI has used joint ventures to gain access to West German technology while retaining management control. It has done this in sun-roofs with Tudor Webasto and in metal-framed products with Schade-Bruce. In the offing are three more joint ventures with German companies, which welcome the opportunity to gain a UK manufacturing base.

Is there a unifying theme philosophy to this assemblage of activities? "We're dealing with lots of boxes," says Mr Hearley. Whether boxes on wheels or boxes like buildings, CHI intends to be able to supply the interiors or the exteriors, but usually not the structure itself.

Even though there is not always a direct connection between products, there is some cross-transfer of technology. Parnell, its shop-fitting subsidiary, for example, can quote for the interior of a railway carriage.

"We have tried not so hard to build an empire as to build a business," he adds. "When we buy a business, the first question we ask is 'Tell us about your investment plans because we may want to bring them forward.' The financial conglomerate would ask 'Tell us about your investment plans – we may want to stop them.'"

Apart from Beaver, CHI has mounted only one hostile bid – for rival sun-roof maker Barro in 1985. Although the offer failed, CHI sold its 29 per cent stake for a £1m profit a year later. "As we get bigger, we may have to be more of an aggressor," Mr Hearley says.

Discussions so far with Manganese Bronze – CHI first disclosed a 5 per cent stake more than a year ago – have been extremely open. "We talk to them as industrialists not as financial wheeler dealers," says Mr Hearley.

But there is still a long way to go before one can be certain who will end up in the driver's seat. Mr Hearley notes, firmly but patiently: "If they don't perform, I can bid for them. If they do, we're delighted."

Nestlé to publish formal offer today

BY VANESSA HOULDER

Nestlé, the Swiss food group, will today publish the formal offer document for its £2.1bn takeover bid for Rowntree.

Mr Reto Domeniconi, chief financial officer, will present the document at a press conference at the Savoy at 3pm.

In the document, Nestlé, which has a 15 per cent stake in Rowntree, is expected to put the case for the commercial logic of the deal. It will argue that Nestlé's marketing capacity, distribution network, research and development capability and financial resources will strengthen Rowntree's performance overseas.

The document is also expected to comment on the position of Rowntree's employees. Although it will not make any guarantees it will argue that prospects under the ownership of Nestlé would be at least as good as those under any other owner.

A Rowntree spokesman said yesterday that these arguments would be rejected. "There is no evidence to suggest that in confectionery, Nestlé has marketing muscle or good research and development."

This week the lobbying efforts on behalf of Rowntree will continue. Today a delegation from the Yorkshire Evening Press will hand in protests to Downing Street and tomorrow, there are plans for a mass lobby at Westminster.

Jacobs Suchard, which has a 29.9 per cent stake in Rowntree, would not comment yesterday on speculation that it was on the point of launching a bid to top the Nestlé offer. However, it indicated that it had the backing in place to fund a bid. "We consider that our options are wide open," said a spokesman for Suchard.

Suchard is thought unlikely to act before the Office of Fair Trading reaches a decision on whether to recommend a referal of the Rowntree issue to the Monopolies and Mergers Commission.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Allied Lyons	May 17	Final 7.5	Lonrho	June 4	Interim due
BET	June 18	Final 6.5	MEPC	June 3	Interim 3.25
* BOC	May 17	Interim 5.25	Magnet Sthns	June 17	Final 3.8
* BT	June 9	Final 5.1	* Metal Box	June 21	Final 4.05
* Bass	May 18	Interim 4.8	* Meyer Int.	June 21	Final 4.65
* Beecham	June 9	Final 7.9	* Norcros	June 7	Final 9
Berisford SW	June 16	Interim 4.0	* Nthn Foods	June 14	Final 4.75
Boots	May 28	Final 6.2	Pilkington	June 10	Final 15.5
* Brit Airways	May 24	Final 4.116	Plessey	May 28	Final 3.407
* Brit Gas	June 15	Final 4.8	RHM	May 20	Interim 2.65
Brit Land	June 10	Final due	* Redland	May 26	Final 8.675
Carlton Comm	June 1	Final 3.6	Reed Int.	June 3	Final 5.75
Chloride	June 18	Final 1.9	* Sainsbury J.	May 17	Final 4.96
* Courtaulds	May 25	Final 7.1	Sketchley	June 2	Final 13
De la Rue	June 2	Final 9.25	Smith New Ct	June 4	Final 6
Gt. Portland	June 10	Final 4.8	Storehouse	June 2	Final 5.3
Greenall	May 28	Interim 8.665	Waddington J.	June 17	Final 3.1
* Hanson	May 25	Interim 1.4	* Wolv Dudley	May 28	Interim 1.82
Jhsn Matthey	June 18	Final 3.5	* Yale & Valor	June 15	Final 4.24

Ladbroke hotels disposal

Ladbroke Group, the hotels, betting, retail and property company, yesterday said it was selling seven provincial hotels for about £30m in cash to the Penguin Hotel Group.

Penguin is a new company formed by Mr Michael Golder, who was chairman of the Kennedy Brookes restaurant group until its acquisition by Trusthouse Forte earlier this year.

Ladbroke's decision to sell the hotels follows a move last month to re-brand the majority of its UK hotels as Hilton International and Hilton National. The seven hotels being sold do not fit the criteria of providing first class facilities and services, said Ladbroke.

The penguin purchase is to be funded by a combination of borrowings and a private placing of its shares with major institutions.

Rechem for market valued at £50m

Rechem Environmental Services is expected to come to the market on Wednesday, via a placing which will value it at about £50m. The company, which specialises in the disposal of hazardous chemical waste by incineration, made pre-tax profits of £4.5m on turnover of £13.4m for the year ended 31 March 1988. The sponsors to the issue are Lazards and Kleinwort Grieveson.

Simon £5m sale to AMC

Simon Engineering, the equipment, services and contracting group, is to sell its TR International (Chemicals) subsidiary to Amalgamated Metal Corp for £5.3m cash.

The disposal, which includes six TR companies and stakes in two associates overseas, follows Simon's first profit fall in 16 years - from £28m in 1986 to £23.5m last year on sales of £540m.

Simon, currently reorganising to reduce its diversity, said TR's distribution and marketing businesses were now not seen as a future core activity. Proceeds of the sale will be used to reduce borrowings.

TR achieved total sales of £67m in 1987 and a pre-tax profit of £1.2m, including a one-off stock profit of £600,000.

AMC, based in London but 94.7 per cent owned by Preussag of Hanover, West Germany, has an international chemicals distribution network which will be strengthened by the addition of TR.

Cleves raises stake

Cleves Investments, the financial services group, has bought a further 346,000 shares in Associated Energy Services, taking its stake up to 29.9 per cent.

The Cleves group has taken management control of the loss-making AES, which is involved in bolier maintenance and catering equipment.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

BWD Securities (Section: Trusts, Finance, Land).
Carron Phoenix (Buildings).
Fuel Tech (Industrials).
LGW (Third Market).
Pennant Group (Third Market).
Siam Fund (Cayman) (Trusts, Finance, Land).
TR Technology Ord., Stepped Pref., & Zero Div. Pref. (Investment Trusts).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Australia & New Zealand Banking, Greenall Whitley, Midsummer Leisure, Parkway.
Finals- De Morgan, GT Berry Fund, GT Management, Selfira, Stylo.

FUTURE DATES

Interims-

Australia & NZ Banking	May 18
Barton Transport	May 20
Leeds Group	May 24
Piccadilly Radio	June 6
Plaxton	June 2
Saatchi and Saatchi	May 25
Wheeson	May 26

Finals-

Bisichi Tin	May 18
Heath (C.E.)	June 7
London & Assoc. Inv. Tst.	May 20
Norcros	June 7
Ocean Wilsons	May 18
Personal Assets	May 20

FINANCIAL TIMES STOCK INDICES

	May. 13	May. 12	May. 11	May. 10	May. 9	May. 6	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.18	89.87	89.83	89.83	89.89	89.76	91.43	86.97	127.4	49.18
Fixed Interest	98.10	98.18	97.65	97.57	97.20	97.25	98.31	94.14	105.4	50.53
Ordinary	1428.6	1417.6	1406.4	1435.8	1438.0	1440.1	1478.7	1349.0	1926.2	49.4
Gold Mines	195.4	196.1	197.3	198.2	198.5	201.7	312.5	195.4	734.7	43.5
FT-Act All Share	919.01	914.70	907.13	925.83	927.48	929.12	951.46	870.19	1238.57	61.92
FT-SE 100	1781.8	1772.3	1756.8	1792.6	1794.9	1801.1	1855.5	1694.5	2443.4	986.9

Another great brand from Rowntree.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡	F.P.	-	199	184	Acre Oil 50p	187	-2	W3.5	2.1	2.5	25.4
330	120	-	80	68½	British Petroleum	70½	+½	M12.9	1.5	5.9	14.0
§90	F.P.	-	100	80	♯Central Motor Auctions	98		u2.5	2.0	3.4	14.4
§150	F.P.	-	174	150	♯Clinton Cards 10p	171	+1	u2.6	2.6	2.0	21.8
-	F.P.	-	18	4	Colleen Hldgs. Wrnts	17		-	-	-	-
§100	F.P.	-	116	113	Dagenham Motors 10p	113		L3.6	2.9	4.2	10.1
§85	F.P.	3/6	108	83	♯DeGey Jenkins 5p	103		R2.7	2.4	3.5	15.9
§210	F.P.	-	240	213	♯Freeman Group 10p	228		u6.75	2.8	3.9	12.0
§125	F.P.	18/5	148	125	♯Handley-Walker 5p	148		u3.3	2.4	3.0	16.3
100	F.P.	-	99	98	Hewett Am. Extension Pd.	99		-	-	-	-
140	F.P.	10/6	149	140	♯Holders Technology 10p	148		u6.0	2.0	5.4	12.2
§64	F.P.	20/4	80	64	♯Hughes (H.T.) 10p	72		R2.25	2.1	4.2	13.3
§122	F.P.	20/5	141	135	Johnston Press	138	-1	L3.5	2.6	3.4	15.0
§90	F.P.	-	116	101	♯Kitty Little Group 5p	105	-2	1.8	4.0	2.2	15.0
§5	F.P.	-	7¼	6	♯Lincoln House 5p	7		-	-	-	-
-	F.P.	-	4	1½	♯Do. Warrants	4	+½	-	-	-	-
-	F.P.	-	57	40	Marlerale "S"	50		-	-	-	-
95	F.P.	20/5	86	73	Merchant Manufactory Est.	75	+1	u3.0	1.6	5.3	6.2
§110	F.P.	20/5	126	118	♯Microlec Group 5p	120		R2.9	3.0	3.2	13.7
§120	F.P.	-	131	121	♯Moorfield Estates 10p	123	+2	R3.15	2.6	3.4	13.2
§90	F.P.	-	101	88	♯Morris Ashby 10p	90		R3.37	2.3	5.0	9.0
-	F.P.	-	13	5	Oceonics Group Wrnts	12		-	-	-	-
§175	F.P.	27/5	184	175	P&P 10p	179	-1	L2.62	5.0	2.0	13.7
§78	F.P.	-	95	88	♯Portals 2p	95		L2.34	3.8	3.3	7.7
14	F.P.	25/4	18½	15	♯Resort Hotels 10p	18		R0.43	2.5	3.1	14.7
§121	F.P.	-	128	122	♯Roskel 10p	122		u2.7	3.1	3.0	12.7
-	F.P.	-	18	17	SD-Scicon Wrnts.	18					
§230	F.P.	-	240	230	Serco Group 2p	238		R7.0	3.1	3.9	10.9
518	F.P.	-	960	955	Sotheby's Hldgs. Class A	955					
§85	F.P.	-	86	83	♯Total Systems 5p	85		R2.5	2.1	3.9	15.9
135	F.P.	22/4	151	135	U.K. Paper 10p	139	+4	R5.0	2.8	4.8	8.2
§235	F.P.	-	260	253	Victaulic	253	-2	W7.5	2.8	4.0	11.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100	F.P.	-	113p	111p	Adscene group 7¼pc Cv. Cm. Rd. Prf.	111p	-2
§94¼	23.5b	-	94⅜	94⅛	Capital & Counties 9⅝pc 1st Mort. Db.	94⅜	+⅛
100	35p	4/8	39½0	38p	Co-op Bank 8.48% Cum. Red. Prf. 2013	39½p	+½
100	F.P.	-	100p	98p	Hodgson Hldgs. Cv. Prf. 5p	98p	
100	F.P.	-	76p	69p	Invy International 5¼pc Cv Cm Rd Pf	74p	
§100p	40	-	41½p	40p	LIT Hldgs 9.47pc Cm. Rd. Pf. 1998-08	40p	-½
-	F.P.	-	100⅛	99⅝	N'wide Anglia 9⅞pc Bd 17.4.89	99⅞	+⅛
-	F.P.	-	100¼	99⅞	Do. 9⅞pc Bd. 8.5.89	100⅛	+⅛
100	Nil	24/5	20pm	16pm	Sound Diffusion 7¾pc Cv Cm Rd Prf	17pm	+2
&	Nil	16/5	107½	104¼	Slough Estates 6pc Cv Bd 2003	105¼	
100	F.P.	11/5	135p	123p	SD-Scicon 6½pc Cm Cv Rd Pf	126p	+1
100	Nil	24/5	700pm	250pm	Tate & Lyle Non-Int. Cv Un Ln 1989	500pm	

"RIGHTS" OFFERS

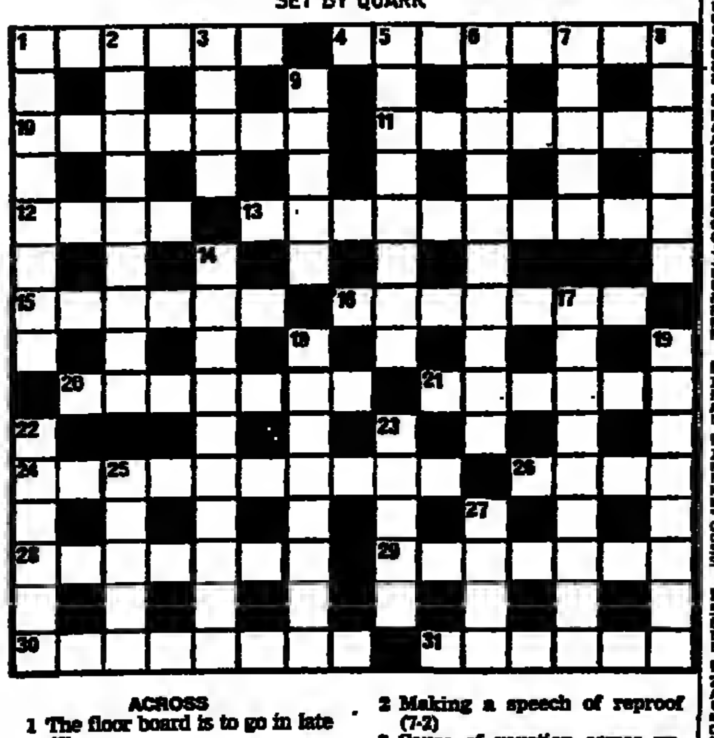
Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
247	Nil	-	36pm	32pm	Alphameric 5p	34pm	
27	Nil	17/5	5pm	½pm	Astra Hldgs. 5p	½pm	
250	Nil	22/7	139pm	124pm	Barclays £1	133pm	-1
204	Nil	-	12pm	6pm	Concorde Energy Units	12pm	
100	Nil	-	4pm	2½pm	Geevor Tin Mines	4pm	
30	Nil	-	10pm	1½pm	♯Lincoln House Units	12pm	+2
75	Nil	-	4pm	3pm	♯Pineapple Group 10p	3pm	-1
30	Nil	14/6	6pm	1½pm	♯SEP Industrials 5p	¾pm	-¼
90	Nil	-	21pm	15pm	♯Scaaro Hldgs 20p	15pm	
90	Nil	-	18pm	11pm	Scantronic 10p	11pm	
5	Nil	16/6	41pm	31pm	West Trust 2½p	40pm	

H Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♯ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ♯ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

JOTTER PAD

FT CROSSWORD No.6,631

SET BY QUARK



ACROSS

1 The floor board is to go in late (6)
4 He'd followed morning transport, caught in a trap (8)
10 A little rise for wine I'll be going into (7)
11 Run most excitedly for the magic answer (7)
12 Den's disposition – not strong (4)
13 Entomb somehow, putting money in for incarnation (10)
15 Measure pledge to employ? (6)
16 Flashy stone of a garland (7)
20 Treaty to mislead Bond (7)
21 Suddenly take a bit of verse (6)
24 Inspiration using tip of brolly and where it's handy (10)
26 Partly among aurochs we find a mountain ox (4)
28 It's cast in a role in aircraft (7)
29 Bread is thrown for a gull, for example (7)
30 All quarters scoured for presentation of information (8)
31 Plant in a trench? (6)

DOWN

1 Beauty in one's eyes? (8)
2 Making a speech of reproof (7-2)
3 Cause of vexation comes up – a London landmark (4)
5 Available resources (not necessarily male!) (8)
6 United Nations hurt about money not being restricted (10)
7 Husky losing one animal (5)
8 Order to deem lower rank (6)
9 15 in winter sports with politician take short cuts (5)
14 When drunk you might get shellfish for this! (10)
17 Throw out a cost rise – bring it down (9)
18 Acts before minds get together (8)
19 Island for part of a week (8)
22 Get to be accepted (6)
23 A lock, but not in support of wall (5)
25 Arrange for permit (5)
27 Market a voyage, we hear (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 28.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861
CML (Unit Assurances)

Key	149.53		......	—
Pacemaker	210.48		......	—
Cash	135.82	142.97	......	—
Equity	316.81	333.48	......	—
Fixed Interest	207.11	218.01	......	—
Managed	242.48	255.24	......	—
Property	316.72	333.39	......	—

CML (Pension Annuities)—Rainbow Plans

Cash Cap	135.94	143.11	+0.03	—
Cash Inv	158.12	166.45	+0.10	—
Equity Cap	684.95	721.01	-1.12	—
Equity Inv	796.67	838.61	-1.05	—
Fixed Int Cap	236.14	248.58	+0.21	—
Fixed Int Inv	274.66	289.13	+0.28	—
Index Link Cap	136.92	144.14	-0.60	—
Index Link Inv	159.26	167.66	-0.33	—
Managed Cap	326.45	343.64	-1.40	—
Managed Inv	379.70	399.69	-1.34	—

Combined Insurance Co of America
15 Wheatfield Way, Kingston upon Thames, Surrey KT1 2PA. 01-546 7733

Managed Fund (Cap)	97.8	102.9	+0.3	—
Managed Fund (Acc)	101.0	107.2	-0.3	—
Managed Pen Fd (Cap)	121.5	127.0	-0.1	—
Managed Pen Fd (Acc)	127.6	134.3	+0.1	—

Commercial Union Group
St Helen's, 1 Undershaft, London EC3 01-283 7500

Var Ann May 20	60.87		-0.25	—
Var (Acc) May 7	309.82		-1.49	—

Prime Series—Life

Managed	243.4	256.3	+0.3	—
Reserve Managed	97.5	102.7	+0.4	—
Venture Managed	95.1	100.2	+0.3	—
UK Equity	291.2	306.6	+2.4	—
Int'l Equity	176.3	185.6	-0.3	—
Property	145.8	153.5		—
Fixed Interest	159.3	167.7	+0.6	—

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
700	Treas. 7¾pc 2012–15	[illegible]	8.98	21.12	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	[illegible]	9.12	6.5	12Jan 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43	—	29.12	1Feb 1Aug	1239
1,909	War Loan 3½pc	39	—	25.03	1Jun 1Dec	1362
154	Conv. 3½pc '61 Aft.	51	—	24.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	32	—	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27	—	1.3	5Jul Ap Jul O	1238
475	Treas. 2½pc	27	—	24.2	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	119	1.99	21.12	25Jul 25Jan	1311
650	Do. 2pc '92(97.8)	101	2.66	17.8	23Sep 23Mar	1312
1,000	Do. 2pc '96(67.9)	136	3.22	8.2	16Mar 16Sep	1313
900	Do 2½pc '01 (78.3)	112	3.74	18.8	24May 24Sep	1316
800	Do. 2½pc '03(78.8)	109	3.80	13.03	20Nov 20May	1317
1,100	Do. 2pc '06(69.5)	211	3.83	14.12	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	104	3.83	13.03	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	108	3.82	18.1	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	89	3.80	11.1	16Feb 16Aug	1320
1,600	Do. 2½pc '16(81.6)	97	3.76	21.12	26Jan 26Jul	1321
1,400	Do. 2½pc '20 (83.0)	95	3.69	10.3	16Oct 16Apr	1322
800	Do. 2½pc '24 (97.7)	80	3.64	15.02	17Jan 17Jul	1323

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1987:102.1 and for March 1988:104.1

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	106	10.40	3.12	4Jan 4Jul	—
100	Asian Dev Bk 10¼pcLn2009	102	9.96	19.2	24Mar 24Sep	—
100	Australia 13½pc 2010	127	10.30	23.12	28Jan 28Jul	—
100	Do. 11¾pcLn2015	110	10.22	24.3	26Apr 26Oct	—
75	Euro Inv Bk 11pc Ln 2002	108	9.91	23.2	23Mar 23Sep	—
100	Do. 10¼pc2004	103	9.88	22.4	22Mar 22Sep	—
75	Int-Am Dev Bk 12½pc 2003	118	10.06	7.12	8Jan 8Jul	—
175	Do. 9¼pcLn 2015	96	10.10	13.4	15May 15Nov	—
75	Malaysia 10¼pcLn 2009	95	11.33	23.12	31Jan 31Jul	—
50	Sweden 13½pcLn 2010	128	10.22	21.12	22Jan 22Jul	—
50	[illegible]	[illegible]	15.39	26.1	1Mar 1Sep	—

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
565.1	♥Staley Continental 1	19½	80c	2.2	–	–	–
3,228.5	Sun Co. Inc. $1	29	$3.00	3.5	3.5	Mr Jn Se Dc	4135
1,347.3	TRW Inc. 62½c	22¼	$1.60	3.9	10.5	Ma Ju Se De	4318
3,259.0	Tenneco $5	22¼	$3.04	7.5	11.8	Mr Jn Se Dc	4194
6,458.8	Texaco $6.25	26	$3.00	6.2	28.4	Mr Je Se De	4200
4,468.9	Time Inc. $1	47	$1.00	1.2	24.01	Mr Jn Se De	4234
1,266.0	Transamerica $1	16½	$1.84	6.1	31.3	Ja Ap Ju Oc	4239
464.8	Transworld Corp $5	898p	20c	1.2	11.11	Fe My Au No	–
512.6	TRINOVA Corp	15	56c	2.0	9.11	Me Je Se De	4309
4,367.6	♥USX $1	16½	$1.20	4.0	30.10	Mr Je Se Dc	4380
2,606.9	Utd Technologies	19¾	$1.60	4.4	19.5	Mr Jn Sp Dc	4381
5,460.1	US West	27½	$3.52	7.1	13.4	Fe My Ag No	–
4,059.8	Waste Management $1	18	36c	1.1	21.3	Ap Jly Oc Jan	4439
969.2	Whirlpool $1	14	–	–	25.01	Mr Jn Se De	–
1,802.0	♥Woolworth $3½	27	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp 1	399p	–	–	–	–	–
–	♥Abbot Energy Corp	15p	–	–	–	–	–
597.6	♥Amer. Barrick Res	10¾	–	–	–	–	–
–	American Lightwave	7p	–	–	–	–	–
–	♥Arneno	28p	–	–	–	–	–
–	Augmitto Explo	47p	–	–	–	–	–
1,130.6	Bk. Montreal ‖	10⅞	$2.00	8.1	9.5	Fb My Ag Nv	–
869.1	Bk. Nova Scot. 1	524p	76c	6.4	28.3	Je Ap Ju Oc	–
4,356.8	BCE ‖	16¼	$2.44	6.7	10.02	Ap Jy Oc Ja	–
252.6	♥Bow Valley	610p	♦40c	2.9	15.12	May Nov	–
729.8	♥Brascan 1	30¾	88c	3.6	28.10	Ja Ap Jy Dc	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

LONDON SHARE SERVICE

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City Line
1.94 Moray Firth 1p	13	–	–	–	–	3412
9.83 Norton Group 5p	19	–	–	–	–	4674
1.61 Ovoca Gold IR 2p	51	–	–	–	–	1470
3.74 Pennant Grp. 2p	21	d0.2	1.3	–	–	–
5.75 Propeller 1p	46	–	–	–	–	3729
2.76 Publishing Hldgs. 5p	17	–	–	–	–	3735
4.85 Seacon Hldgs.	78	–	–	–	–	3968
3.52 Stalc Hldgs. 5p	28	–	–	–	–	4625
4.63 Swanyard Studios 1p	3¼	–	–	–	–	4646
21.8 Takare	250	b1.0	0.5	–	–	4647
8.85 Theme Holdings	46	1.1	3.2	25.4	June Dec	4206
2.91 Tomorrows Leisure 20p	26	–	–	–	–	4248
10.6 Tullow Oil 10p	17	–	–	–	–	4886
4.84 UPL Group 10p	120	L2.41	2.7	–	–	4362
5.75 Unit Group	142	R4.6	4.3	9.11	Jan July	4357
6.30 Video Tape Record 5p	[illegible]	[illegible]	3.2	9.5	–	[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Dealt in under Rule 535(3).
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
♦ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
ξ Forecast dividend.

‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
✕ Cover does not allow for shares which may also rank for dividend at a future date.
¤ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. 4. Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p γ	60	–5
Craig & Rose £1 γ	690	–8
Finlay Pkg. 5p γ	78	.....
Holt (Jos) 25p γ	£21¼	.....

IRISH

Stock	Price	+ or –
Nat. 9¾% 84/89	£101	.....
9pc Cap Ln. 1996	£98¼	.....
Fin. 13% 97/02	£118¾	.....
Arnotts γ	310	.....
CPI Hldgs. γ	88	–2
Carrol Inds. γ	145	.....
Hall (R. & H.)	135	.....
Helton Hldgs. γ	41	.....
Irish Ropes γ	125	.....
Unidare γ	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	34
FNFC	25
Gen Accident	85
GEC	15
Glaxo	118
Grand Met.	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen.	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	35
Morgan Grenfell	35
NEI	10
Nat West Bk.	60
P & O Dfd.	32
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	25
Sears	14
TI	35
TSB	17
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40

Oils

Stock	p
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24

Mines

Stock	p
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

DIARY DATES

Trade Fairs and Exhibitions: UK

Current
Shopex International and Point of Sale at SHOPEX (until May 19) (01-868 4499) — Earls Court

May 24-27
Chelsea Flower Show (01-834 4333) — Royal Hospital

June 7-9
International Services and Equipment for Aircraft and Airport Operators Exhibition - AIRPORT (0202 304641) — NEC, Birmingham

June 12-15
Business to Business Exhibition (01-729 0677) — Business Design Centre, London

June 16-18
Personal Investment Marketing Show and Conference - PIMS (01-948 5166) — NEC, Birmingham

June 19-22
Royal Highland Show (031-333 2444) — Exhn & Trade Centre, Edinburgh

July 21-28
Trade opportunities in China (0772 203020) — Preston Guild Hall

June 21-23
European Computer Communications Conference and Exhibition - NETWORKS (01-868 4466) — Wembley Centre

July 7-10
Antiques Fair (04447 2514) — Corn Exchange, Brighton

Overseas Exhibitions

May 17-19
European Professional Investors & Financial Services Exhibition - MONEY EUROPA (0403 211798) — Brussels

May 18-26
International Spring Fair (Technical) - BNV (021- 454 3385) — Budapest

June 5-8
International Wallpapers, Wallcoverings, Furnishing Textiles and Household Linen Exhibition - PARITEX (01-225 5566) — Paris

June 8-12
International Wine Exhibition - VINOVA (01-977 4551) — Vienna

June 11-12
National Country Fair (Dublin 338269) — Limerick

June 20-23
Pacific Transport Freight Distribution Exhibition and Conference (01-642 7688) — Singapore

June 21-24
International Jewellery and Gemstones Fair - INTER-JEWEL (02403 29406) — Hong Kong

June 25-July 1
Intrnational Chemical Fair - INCHEBA (01-378 7778) — Bratislava

Business and management conferences

May 17-19
Money Events International: Europe - one complete market; the way ahead for financial services (073085 711) — Sheraton Hotel, Brussels

May 17-20
IMRA/EVAF: The changing face of information - implications for business and industrial marketing research (0543 263448) — Holiday Inn, Bristol

May 20
HS Conference Studies: Latest developments in the art and practice of financing property - getting to grips with the market (01-935 2382) — Cafe Royal, London

May 24-25
Institution of Mechanical Engineers: Advance handling systems-applications and experiences (01-222 7899) — 1 Birdcage Walk, London

May 25-27
EVCA in association with Financial Times Conferences: Venture Symposium 88 - The internationalisation of venture capital (01-925 2323) — Hotel Inter-Continental, London

May 26
I.P. Sharp: The Securities Programme on stock lending (01-222 7033) — Barbican Centre, London

June 8-9
Dataquest Industry Conference: Planning and positioning for the 90s (01-353 8807) — Gleneagles Hotel, Scotland

June 8-9
Intro UK: Recruiting and retaining information technology personnel (0491 681010) — Olympia Conference Centre, London

June 13-14
Financial Times World Gold Conference (01-925 2323) — Vienna

June 21-22
Financial Times/National Bank of Hungary: Doing business with Eastern Europe (01-925 2323) — Budapest

June 23
The Chartered Institute of Management Accountants: Management of company turnaround (01-637 2311) — 63 Portland Place, London

June 23
Peat Marwick McLintock: Corporate publishing - overhead or opportunity? (01-236 8000) — Queen Elizabeth II Conference Centre, London

June 24
HS Conference: The tenth annual rent review conference (01-935 2382) — Cafe Royal, London

June 27-28
Financial Times: Telecommunications and the European business market (01-925 2323) — Hotel Inter-Continental, London, W1.

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

PARLIAMENTARY

TODAY

Commons: Private members' motions.

Civil Evidence (Scotland) Bill, second reading.

Lords: Education Reform Bill, committee.

Felixstowe Dock and Railway Bill, third reading.

Select committees: Public Accounts: subject, service to the public at local DHSS offices. Witnesses: Mr C. W. France, permanent secretary, DHSS. (Room 16, 4.45 p.m.) Televising of proceedings of the House. Witnesses: BBC, IBA, Sir Victor Le Fanu, Serjeant at Arms, and officials of the Property Services Agency. (Room 8, 6.15 p.m.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 5 p.m.)

TOMORROW

Commons: British Steel Bill, remaining stages.

Motion to take note of EC documents on the Joint Research Centre and on Eureka and Community Science and Technology.

Lords: Scottish Development Agency (Oban South Pier) Order Confirmation Bill, consideration on report.

Education Reform Bill, committee.

Eastbourne Harbour Bill, third reading.

European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (Immunities and Privileges) Order, motion for approval.

Select committees: Transport: subject, airline competition. Witness: Amadeus.(Room 17, 5 p.m.)

Committee on a private bill: Hampshire (Lyndhurst bypass). (Room 6, 10.30 a.m.)

WEDNESDAY

Commons: British Steel Bill, remaining stages.

Motion relating to the Personal Community Charge (Students) (Scotland) Regulations.

Lords: Debate on "The needs and problems of people who are mentally ill and mentally handicapped and their families."

Access to Medical Records Bill, second reading.

Companies (Audit Committees) Bill, second reading.

Unstarred question on whether it is now appropriate for bishops to continue to wear robes and sit and speak from the spiritual benches when taking part in the proceedings of the House.

Select committees: Environment; subject, toxic waste. Witnesses: Department of the Environment officials. (Room 21, 10.30 a.m.)

Trade and Industry: subject, information technology. Witness: Mr A. Cleaver, chairman of IBM (UK). Subject: British Aerospace acquisition of Rover. Witness, Lord Young. (Room 15, 10.30 a.m.)

Treasury and Civil Service sub-committee: subject, Civil Service management reform "The Next Steps." Witnesses: Mr Peter Kemp, second permanent secretary, OMCS, and other officials. (Room 19, 11.30 a.m.)

Defence: Statement on 1988 estimates. Witness: Mr George Younger, Defence Secretary. (Room 16. 11.45 a.m. and Room 17. 4 p.m.)

Education, Science and Arts: subject, educational provision for the under-fives. Witnesses: Pre-school Playgroups Association and Tutors of Advanced Courses for Teachers of Younger Children. (Room 5, 4.15 p.m.)

Employment: subject, urban development corporations. Witnesses: Black Country Development Corporation and Olympia and Canary Wharf. (Room 5, 4.15 p.m.)

Home Affairs: subject, broadcasting. Witnesses: Mr Timothy Renton, Home Office Minister of State, and officials. (Room 15, 4.15 p.m.)

Public Accounts: subject, the effects of lower oil prices on the electricity supply industries. Witnesses: Mr P. L. Gregson, permanent under-secretary, Department of Energy, and Mr J. A. Scott, secretary, Industry Department of Scotland. (Room 16, 4.15 p.m.)

Social Services: subject, resourcing the NHS. Witnesses: Independent Hospitals Association and AMI Healthcare. (Room 21, 4.15 p.m.)

Committees on private bills (unopposed): Associated British Ports (Barrow) (Lords) and Tor Bay Harbour (Oxen Cove and Coastal Footpath, Brixham.) (Room 9, 4 p.m.)

Committee on a private hill (opposed): Hampshire (Lyndhurst bypass.) (Room 6, 10.30 a.m.)

THURSDAY

Commons: Opposition debate on "The future of British shipbuilding."

Motion to take note of EC documents on own resources and future financing, and the 1987 and 1988 Community budgets.

Lords: Education Reform Bill, committee.

Malicious Communications Bill, second reading.

Control of Misleading Advertisements Regulations 1988, motion for approval.

Select committees: Agriculture: subject, Chernobyl: the Government's reaction. Witness: Department of the Environment. (Room 16, 10.45 a.m.)

Defence: subject, statement on 1988 estimates. Witness: Mr George Younger, Defence Secretary. (Room 16, 4 p.m.)

FRIDAY

Commons: Adjournment debate on the arts.

Lords: Debate to call attention to the White Paper on Privatising Electricity.

FINANCIAL

TODAY

COMPANY MEETINGS-
Hambro Countrywide, 41, Bishopsgate, E.C., 11.30
Home Counties Newspapers, Strand Palace Hotel, Strand, W.C. 2.15
Ipeco, Airport Moat House Hotel, Aviation Way, Southend-on-Sea, 12.00
M.Y. Hldgs, Merchant Taylors Hall, 30, Threadneedle Street, E.C. 11.00
Menzies (John), George Hotel, 21, George Street, Edinburgh, 12.15
New Darien Oil Tst, North British Hotel, Princes Street, Edinburgh, 12.00
Sherwood Computer Services, Butchers' Hall, Bartholomew Close, E.C. 12.00

BOARD MEETINGS-
Finals:
De Morgan Group
GT Berry Japan
GT Management
Sature
[illegible]
Interims:
Australia & New Zealand Banking
Greenall Whitley
Midsummer Leisure
Parkway
Unilever

DIVIDEND AND INTEREST PAYMENTS-
ASD 5p
Alba 1.5p
Appleyard 8.3p
Aranson 1p
Armour Tst. 0.2p
Bank of Scotland (Governor of) Und. Fltg Rate Nts. $188.65
Bankers Tst. Intl. Capital NV Fltg. Rate Sub. Nts. 1996 $168.75
Barry Wehmiller Intl. 1.5p
C.S.C. Inv. Tst. 6p
Chambers & Fargus 1p
Davidson Pearce 2.1p
Davies & Metcalfe 1.75p
Do. "A" 1.75p
European Home Products 3p
Forete Sparbanken Sub Fltg Rate Nts 1990 $196.9
Future 7.5p
Hickson Intl. 4p
Interfirst Texas Finance Fltg. Rate Nts. May 1989 $184.75
Kleinwort Smaller Co's Inv Tst. 6.35p
Maunders (John) 1.05p
Metal Closures 3.2p
Morgan Guaranty Tst. Co. of New York Fltg. Rate Dep. Nts. 1991 Y22,118
Pacificorp 66cts
Plasmec 1.8p
Pochin's 4p
SD-Scicon 0.4p
Shell Transport & Trading (Reg) 31.5p
Do. (Br) 31.5p
Silkolene Lubricants 5p
Sommerville (William) 6pc Prf. 2.1p
Warner Comms. 14cts
Wells Fargo Fltg. Rate Sub. Nts. Feb 1997 $168.75
World of Leather 3.2p

TOMORROW

COMPANY MEETINGS-
Addison Consultancy, 33-41, Parker Street, W.C., 3.00
AmBrit, 34, Park Street, W., 3.30
Christies Intl., 8, King Street, S.W. 12.00
Fisons, Goldsmiths Hall, Foster Lane, E.C. 11.00
Gaskell Broadloom, Blackburn Moat House, Preston New Road, Blackburn, Lancashire, 10.30
Gordon Russell, 44-46, Eagle Street, W.C., 11.00
Grampian Hldgs., 11, Blythswood Square, Glasgow, 12.00
Hall (Matthew), Matthew Hall House, 7, Baker Street, W., 12.00
Jamesons Chocolates, Willoughby Lane, N., 2.30
Macfarlane (Clansman), Merchants House, 7, West George Street, 12.00
Monument Oil & Gas, Minster House, Arthur Street, E.C., 12.00
Portals, Howard Hotel, Temple Place, Strand, W.C., 12.30
SPP, Bakers' Hall, Harp Lane, E.C., 11.00
Tibbet & Britten, Ironmongers Hall, Barbican, E.C., 10.00
Toye & Co., Connaught Rooms, Great Queen Street, W.C. 10.00
Tozer Kemsley & Millbourn, Hotel Russell, Russell Square, W.C., 11.45
United Newspapers, Stationers' Hall, Ave Maria Lane, E.C. 10.30
Yelverton Invs., 34, Park Street, W., 11.30

BOARD MEETINGS-
Finals:
Allied-Lyons
Channel Tunnel
Cock (Wm.)
Elliott (B.)
Northern American Trust
Sainsbury (J.)
Shires Inv.
Whitbread & Co.
Interims:
BOC Group
City Site Estates
Morse Hldgs.
Polymark Intl.
Sandvik AB
Shaftesbury
Tomkinsons

DIVIDEND AND INTEREST PAYMENTS-
Brooks Service 2.8p
Cambridge Electronic Inds. 8.1p
Commercial Union Assurance 9.75p
Electricite de France 11¾pc Gtd. Ser. Ln. 2009 £5.875pc
Evans Halshaw 5p
Linread 2.5p
Lloyds Bank 8.6p
New Darien Oil Tst. 0.7p
RBC Far East & Pacific Fd 7cts
Rockwood 0.4p

WEDNESDAY MAY 18

COMPANY MEETINGS-
AMEC, Holiday Inn Crowne Plaza Midland Hotel, Peter Street, Manchester, 12.00
Arcolectric, Central Avenue, East Molesey, Surrey, 11.00
Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 12.00
BHH Grp., Newstead House, Alderflat Drive, Newstead Ind. Estate, Trentham, Stoke-on-Trent, 11.00
BTR, Hilton, Park Lane, W., 12.00
Bilston & Battersea Enamels, Birmingham Chamber of Commerce, Harborne Road, Birmingham, 11.30
Bowthorpe, Gatwick Road, Crawley, West Sussex, 3.00
Colorgraphic, Metropole Hotel, Birmingham, 12.15
Jones & Shipman, Narborough Road South, Leicester, 2.00
Legal & General, The Brewery, Chiswell Street, E.C., 2.45
Lodge Care, Institute of Chartered Accountants, Moorgate Place, E.C., 12.00
Metsec, Apollo Motel, 243, Hagley Road, Edgbaston, Birmingham, 11.00
North Midland Construction, Nunn Close, The County Estate, Huthwaite, Sutton-in-Ashfield, 12.00
Proudfoot (Alexander), 8, Devonshire Square, E.C., 12.00
Slough Estates, Savoy Hotel, W.C., 12.00
Sperati (C.A.)(Special Agency), 54, Westcombe Hill, Greenwich, S.E. 9.15
Stag Furniture, Albany Hotel, Nottingham, 12.00
Sun Alliance & London Insce., 1, Bartholomew Lane, E.C., 12.30
Wood(Arthur) & Son(Longport), Bradwell Works, Longport, Stoke-on-Trent, 12.00

BOARD MEETINGS-
Finals:
Allied Irish Bank
Bisichi Tin
Foster (J.)
Glaves
Land Securities
Ocean Wilsons
Sycamore Hldgs.
Interims:
Avon Rubber
Baggeridge Brick
Bass
Diploma
Plextech
New Cavendish Estates
Virgin Group

DIVIDEND AND INTEREST PAYMENTS-
American Tst. 2.25p
Benchmark 0.75p
Bilston & Battersea Enamels 2.7p
Christiania Bank OG Kreditkasse Sen Fltg. Rate Nts. 1995 $530.83
Christies Intl 10p
Grampian Hldgs. 2.75p
Invergordon Distillers 4p
Lodge Care 2.25p
Macfarlane (Clansman) 2.08p
Merchants Tst. 2.85p
New Zealand Fltg. Rate Nts. 1997 £116.03
Norfolk Capital 0.3p
North Midland Construction 1.2p
Ottoman Bank 800p
P & O 13p
Reliable Props. 3p
Standard Chartered Sub. Fltg. Rate Nts. 1996 £116.5
Treasury 10pc 2004 5pc
Wood (Arthur) (Longport) 3.5p
Young (H) 1.4p

THURSDAY MAY 19

COMPANY MEETINGS-
Amari, Kingston Lodge Hotel, Kingston Hill, Kingston-upon-Thames, Surrey, 12.00
Bardsey, Connaught Rooms, Great Queen Street, W.C., 12.00
Bridon, Park Lane Hotel, Piccadilly, W., 12.00
British Dredging, Royal Hotel, St. Mary Street, Cardiff, 12.15
British Island Airways, Gatwick Hilton, Gatwick Airport, Crawley, West Sussex, 3.00
Brown Boveri Kent, Brown's Hotel, Dover Street, 12.00
Canning (W), Canning House, St. Pauls Square, Birmingham, 12.00
Coates Brothers, Stationers' Hall, Ave Maria Lane, E.C., 11.30
Collins (William), Westerhill Road, Bishopbriggs, Glasgow, 12.15
Croda, The Brewery, Chiswell Street, E.C., 12.00
DRG, 1, Redcliffe Street, Bristol, 12.00
Enterprise Oil, Glaziers Hall, 9, Montague Close, London Bridge, S.E. 12.00
Jacks (William), Holiday Inn Langley, Slough, 11.30
Lawrence (Walter), Farmers & Fletchers Hall, 3, Cloth Street, E.C. 12.00
Morgan Grenfell, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Neill, Claridge's Hotel, W., 12.30
Sharpe & Fisher, Pittville Pump Hall, Evesham Road, Cheltenham, 12.30
Thurgar Bardex, Royal Hotel, Market Square, Kettering, Northamptonshire, 12.00
Trade Indemnity, 12-34, Great Eastern Street, E.C. 12.00
Wayne Kerr, Royal Norfolk Hotel, The Esplanade, Bognor Regis, West Sussex, 11.00

BOARD MEETINGS-
Finals:
Bank of Ireland
Gerrard & National
Interims:
Fairline Boats
Viking Packaging

DIVIDEND AND INTEREST PAYMENTS-
Antler 2.2p
Britannic Assce 27.5p
British Petroleum 8p
Do (120p Pd.) 5p
Citicorp O'seas Finance Corp. Gtd. Fltg. Rate Nts. 1991 £115.27
Commerzbank O'seas Finance Fltg. Rate Nts. 1995 $505.56
Bruck 2.2p
Exchequer 9pc 2002 4.5pc
Gordon Russell 4p
Jacobs (John I) 2.7p
Jones & Shipman 3p
Kingston Oil & Gas 0.375p
Lambert Howarth 8p
Lopex 3p
McLaughlin & Harvey 5.5p
Morgan Grenfell 7p
Pressac 0.5p
Stag Furniture 4.25p
Thorpe (F W.) 2.2p
Trade Indemnity 3.4p
Wilkes (James) 3.75p
Woolwich Equitable B. S. Fltg. Rate Ln. Nts. 1998 £233.61

FRIDAY MAY 20

COMPANY MEETINGS-
ATA Selection, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Britannia Arrow, Carpenters Hall, 1, Throgmorton Avenue, E.C. 12.00
Britannia Grp., Golden Valley Hotel, Cheltenham, 12.00
British Syphon Inds., Mottram Hall Hotel, Wilmslow Road, Mottram St Andrew, Cheshire, 12.00
Campden Intl., International House, Priestly Way, N.W., 12.00
Cliffords Dairies, Balcony Restaurant, Grandstand, Ascot, Berkshire, 11.30
Conder Grp., Guildhall, Winchester, 12.00
Cookson, Pewterers Hall, Oat Lane, E.C. 12.00
Equity & Law, 20, Lincoln's Inn Fields, W.C., 11.00
Erith, Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
Forward Technology Inds., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 11.00
Gibbs & Dandy, Commerce House, Stuart Street, Luton, 11.30
Hornby, Vestry House, Greyfriars Passage, Newgate Street, E.C., 10.30
Intl. Bus. Comms., Cafe Royal, Regent Street, W., 12.00
Lec Refrigeration, [illegible], 11.30
MBS, Glaziers Hall, 9, Montague Close, 11.00
Mynson, Great Eastern Hotel, [illegible], E.C., 11.00
Top Value Inds., [illegible], 12.00
Wilson (Connolly), [illegible], 12.00

BOARD MEETINGS-
Finals:
London & Assoc. Inv.
Personal Assets
Value & Income Tst.
Interims:
Albion
British Thornton
Fulcrum Inv. Tst.
Radio Clyde

DIVIDEND AND INTEREST PAYMENTS-
Angus NV FL2.45
Beazer 2.1p
Birmingham District Council 11¼pc [illegible]
Do 11½pc Red. 2012 5.75pc
British Dredging 2p
Caterpillar 18.75cts
Clifford's Dairies 5.1p
Do. "A" N-V 5.1p
Collins(William) 5.6p
Do "A" N V 5.6p
Cundell 2.25p
Dowding & Mills 0.715p
[illegible] "A" [illegible]
Do. "B" [illegible]
European Assets Tst. Reg. FL0.08
Do. Br. FL0.08
Exchequer 12pc 1999 6pc
Gibbs & Dandy 1.8p
Do. Non-V "A" 1.8p
Glaxo 7p
Goal Pet. 1p
Hall Eng. 7.4p
Hasbro 3cts
Iceland Frozen Foods 2.8p
Jacksons Bourne End 8p
Kennedy Brookes 1.65p
Laing Props. 5p
Lec Refrigeration 5.5p
Lloyds Chemists 0.4p
Lloydstrust Gilt Fund 59p
Mackay (Hugh) 6p
Mallett 2.7p
Memec 3p
Phicom 0.5p
Portugal (Rep. of) 9pc Ln 2016 4.5pc
Raine Inds 1p
Security Pacific 45cts
Sherwood 3p
Sime Darby Berhad 4sen
Standard Chartered 22.5p
Stanley (A.G.) 2.1p
[illegible] 3p
Sykes Pickavant 3p
Technology Project Services 2.5p
Treasury 2½pc IL 2009 £1.4282
Tyndall 3p
Unilever NV FL2.68
Worcester 1.4p

SATURDAY MAY 21

DIVIDEND AND INTEREST PAYMENTS-
Britannia Arrow 3.2p
Ensign Tst. 3.2p
Treasury 12½pc 2003/05 6.25pc

SUNDAY MAY 22

DIVIDEND AND INTEREST PAYMENTS-
Conversion 10¼pc 1999 5.125pc
Exchequer 2½pc 1990 1.25pc
TSB Channel Inv. Fd. Ptg. Red. Pf. 3.75p
Treasury 2½pc IL Cnv. 1999 £1.6609

Contracts & Tenders

THE THARSIS PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of THE THARSIS PUBLIC LIMITED COMPANY will be held at Nunez de Balboa, 120 Madrid 28006 on Tuesday 14th June 1988 at 12.30pm for the following purposes:

1. To consider and adopt the Report of the Directors and the Accounts for the year ended 31st December 1987 with the Report of the Auditors there on and declare a final dividend (Resolution No. 1).
2. To re-elect Directors (Resolution Nos. 2-5)
3. To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors (Resolution No. 6).

The dividend if authorised at the Annual General Meeting will be payable on or after 23rd June 1988 as follows:

(1) By dividend Warrant to Registered Shareholders on the Register at 23rd May 1988.

(2) To Holders of Share Warrants to Bearer on presentation of their warrants at any of the following offices:
Bank of Scotland, 55 Old Broad Street, London EC2P 2HL;
Lazard Freres et Cie., 121 Boulevard Haussmann, Paris;
Banque Generale du Luxembourg, S.A., 14 rue Aldringer, Luxembourg;
Banco de Santander, 10 Moorgate, London EC2R 6LD;
Banco de Santander, 30 avenue de l'Opera, Paris 75002;
Banco de Bilbao, 100 Cannon Street, London EC4N 6EH;
Banco de Bilbao, 29 avenue de l'Opera, Paris 75002.

Having regard to the considerable expense which will be involved in the issue of new coupon sheets to holders of Share Warrants to Bearer, the Directors think it right to bring to shareholders' attention the advantage of having their holding converted to registered form. A conversion will ensure that dividends and any securities which may be allotted on a capitalisation or rights issue are received on the due date and without incurring collection or handling charges which can be considerable and, in the case of small holdings can exceed the amount of dividend collected.

The Directors urge shareholders to consider seriously the conversion of their holding into registered form. A "Conversion Form" can be obtained from:
Registrars and Transfer Office,
BANK OF SCOTLAND,
Registrar Department,
28a York Place, Edinburgh EH1 3EY.

By order of the Board
R. N. PETERS, Secretary.

Registered Office:
136 West George Street,
GLASGOW G2 2HF.
16th May 1988.

NOTES

1. Any member of the Company entitled to attend and vote at the Annual General Meeting convened by the foregoing Notice is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company. To be effective, forms of proxy must be deposited at the Bank of Scotland, Registrar Department, 28a York Place, Edinburgh, not less than 48 hours before the time appointed for the meeting.

2. Holders of Share Warrants to Bearer who wish to be present at the Meeting or vote by proxy may obtain instructions from the Registered Office of the Company or from the following appointed depositaries:

Lazard Freres et Cie., 121 Boulevard Haussmann Paris 8e;
Banque Vernes et Commerciale de Paris, 52 Av. Hoche, Paris 8e;
Banque de Paris et des Pays-Bas, 3 rue d'Antin, Paris, 2e;
Credit Suisse Lausanne, Switzerland.
Lloyds Bank (Belgique) S.A., 2 Av. de Tervueren, Brussels 1040;
Banque Generale du Luxembourg, S.A., 14 rue Aldringer, Luxembourg.

3. There are no contracts of service between the Directors and the Company at the date of this notice.

PHILIPPINE NATIONAL OIL COMPANY ENERGY DEVELOPMENT CORPORATION

INVITATION TO BID

Philippine National Oil Company - Energy Development Corporation (PNO - EDC) has applied for a loan from the International Bank for Reconstruction and Development (IBRD - World Bank) towards the cost of 110 MW BACMAN 1 Geothermal Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the Contract for:

BID No. 31.0/1 Supply and Delivery of Pipe Materials
BID No. 31.0/2 Supply and Delivery of Valves
BID No. 31.0/3 Supply and Delivery of Pressure Vessels

The PNOC - EDC now invites sealed bids from eligible bidders for the Supply and Delivery of the above. Interested eligible bidders may obtain further information from and inspect the bidding documents at the office of PNOC - Energy Purchasing Department, Petrophil Building, 7901 Makati Avenue, Metro Manila, Philippines: Telex Nos; RCA 22259 PNOC-PH, EASTERN 63667 PNOC-PN, ITT 45270 PNOC-PM.

A complete set of bidding documents may by purchased be any interested eligible bidder on 19 May 1988 for Bid No. 31.0/1 and on 06 June 1988, for Bid Nos. 31.0/2 and 31.0/3 upon submission of a written application to the above and upon payment of a non-refundable fee of P500.00 for each set of Bid document.

For purpose of clarifying certain issues, a pre-bidding conference will be held at the PNOC - Energy Purchasing Department at 2:00 P.M. on 02 June 1988 21 June 1988 and 22 June 1988 for Bid Nos. 31.0/1, 31.0/2 and 31.0/3 respectively.

All bids (Technicals Bids - Envelope 1 and Financial Bids - Envelope 2) must be accompanied by a bid bond to be issued by the manufacturer or foreign supplier and not the local distributor equivalent to the amount of US$5,000.00 for each bidding that will be participated and in the form acceptable to PNOC-EDC. Bids must be delivered to the above office on or before 12:00 noon of 19 July 1988 for Bid No. 31.0/1 and on 05 August 1988 for Bid Nos. 31.0/2 and 31.0/3. Financial Bids - Envelope 2 will be publicly opened ten (10) days after the announcement of the technically complying bids.

NC Vasquez,
Implementing Officer

Company Notices

INTEREST TEXAS FINANCE N.V.
USD 100,000,000 FLOATING RATE NOTES 1989.

In accordance with the provisions of the notes, Notice is hereby given that for the three months period 16th May, 1988 to 16th August the notes will carry a rate of interest of [illegible] per annum with a coupon amount of USD [illegible] per 10,000
Agent Bank
Chemical Bank

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
S N C F
U.S. Dlrs 80.000.000 Floating Rate Notes Due 1991
Unconditionally guaranteed by The Republic of France

Notice is hereby given pursuant to the terms and conditions of the notes that for the six months from May 12th 1988 to November 14th 1988 the notes will carry an interest rate of 8.00% per annum.
On November 14th 1988 interest of US Dollars 4.133,33 will be due per US Dollars 100.000 note for coupon No 11.

Banque Indosuez Luxembourg
(Fiscal Agent)

BANQUE INDOSUEZ
US DOLLARS 150.000.000,-
SUBORDINATED FRN DUE 1999

Notice is hereby given pursuant to the terms and conditions of the notes that for six month from May 11th 1988 to November 14th 1988 the notes will carry an interest of [illegible] per cent per annum.
On November 14, 1988 interest of US Dollars 214.666,[illegible] will be due per US Dollars 5.000.000 note for Coupon No 1.

Banque Indosuez
Luxembourg
Fiscal Agent Bank

HONEYWELL INTERNATIONAL FINANCE N.V.
US$100,000,000 10% PER CENT. GUARANTEED DEBENTURES [illegible]

Holders of these Debentures are advised that copies of the Financial Statements for the year ended 31st December, 1987 of the above named Company and copies of the Honeywell Inc. Annual Report 1987 are available from:-
S.G. Warburg & Co. Ltd.
Paying Agency 6th floor,
1 Finsbury Avenue,
London EC2M 2PA
16th May, 1988

COMPAGNIE de SAINT-GOBAIN

Amending notice further to our insertion of May 9 published Page 12
READ
The holders of participating share April 1984 of ECU 1000 of COMPAGNIE DE SAINT-GOBAIN are informed that the General Meeting will be held on May 27, 1988 at 11.45 at the registered office of the Company, "Les Miroirs" - 18, Avenue d'Alsace in COURBEVOIE (92400). This meeting will deliberate on the following agenda.
INSTEAD OF: May 26

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

INDICES

	May 13	May 12	May 11	May 10	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1408.1	1389.0	1404.5	1403.2	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	658.7	651.0	656.6	655.9	773.6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	174.51	(c)	175.80	176.10	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	(c)	(c)	4709.60	4717.10	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	200.65	(c)	200.22	196.26	200.65 (13/5)	180.68 (4/1)
FINLAND						
Unitas General (1975)	661.4	663.3	664.8	662.3	664.8 (11/5)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	307.7	(c)	313.2	313.1	334.3 (6/5)	251.3 (29/1)
Ind. Tendance (31/12/87)	111.9	(c)	113.6	113.5	114.2 (28/4)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	428.06	(c)	423.30	430.67	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1302.2	(c)	1286.9	1310.4	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2532.63	2508.88	2534.36	2563.02	2680.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	482.98	487.44	497.26	495.92	545.07 (18/3)	423.91 (9/2)
JAPAN[**]						
Nikkei (16/5/49)	27468.31	27212.58	27161.05	27412.25	27669.72 (2/5)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2182.22	2168.16	2170.33	2185.77	2213.08 (2/5)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	237.5	(c)	237.0	241.3	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	193.6	(c)	193.7	197.9	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	370.36	(c)	370.13	383.85	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	970.18	964.50	966.31	966.77	976.06 (6/5)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1172.0	(c)	1180.0	1175.0	1790.0 (7/1)	1154.0 (4/5)
JSE Industrial (28/9/78)	1501.0	(c)	1480.0	1486.0	2564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	266.96	664.28	269.23	270.73	287.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2810.4	(c)	2822.0	2836.7	2858.1 (3/5)	2140.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	496.0	(c)	498.9	503.7	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	448.3	448.6	453.8	463.4 (13/4)	401.0 (21/1)

[**]Saturday May 14: Japan Nikkei (c), TSE (c)

♦ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

CANADA

TORONTO

Closing prices May 13

[illegible]

MONTREAL

Closing prices May 13

[illegible]

Total Sales 4,419,239 shares

INDICES

NEW YORK — DOW JONES

	May 13	May 12	May 11	May 10	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	1990.55	1968.00	1965.85	2003.65	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.15	88.01	87.91	88.24	91.25 (3/3)	86.12 (4/1)	–	–
Transport	822.43	818.40	821.98	835.13	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	168.39	167.79	167.67	169.51	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2001.49 (1986.07) Low 1971.65 (1960.54)

STANDARD AND POOR'S	May 13	May 12	May 11	May 10	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	256.78	253.85	253.31	257.62	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	298.27	294.71	294.32	299.66	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.25	22.07	21.93	22.12	24.04 (3/3)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	372.48	143.78	143.48	145.75	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	297.94	296.61	295.63	299.81	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	372.48	370.23	369.24	375.43	383.41 (13/4)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 6	Apr 29	Apr. 22	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.45	3.47	2.85

	May 11	May 4	Apr. 27	year ago (approx.)
S & P Industrial div. yield	3.28	3.04	3.07	2.51
S & P P/E ratio	14.51	14.96	15.16	22.43

TRADING ACTIVITY

† Volume Millions	May 13	May 12	May 11
New York	147.240	143.880	176.720
Amex	8.510	7.922	9.781
OTC	104.089	102.730	118.752

NEW YORK	May 13	May 12	May 11
Issues Traded	1,954	1,936	1,954
Rises	1,074	778	251
Falls	426	628	1,326
Unchanged	454	530	377
New Highs	16	14	6
New Lows	9	12	33

CANADA

TORONTO	May 13	May 12	May 11	May 10	1988 High	1988 Low
Metals & Minerals	2706.8	2659.9	2661.3	2759.1	2877.5 (19/4)	2238.7 (8/2)
Composite	3237.5	3220.9	3228.7	3292.5	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1531.53	1592.88	1597.22	1625.74	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Niag Mohawk	5,788,300	14⅝	+ ¼
Pan Hand Pipe	3,452,800	23⅞	– ⅛
Exxon	2,248,900	45	+ ½
AT&T	1,458,200	27⅛	– ⅛
Texaco	1,368,500	49½	– ⅛
Con Ed	1,359,300	41⅛	+ ¼
General Elec	1,286,200	39⅜	+ ⅜
CSX	1,264,100	25⅞	– ⅛
Ford Motor	1,237,800	48	+ ⅜
Ryder System	1,199,400	26⅞	+ ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

OVER-THE-COUNTER

Nasdaq national market, Closing prices May 13

Continued from Page 39

[illegible]

Closing prices, May 13

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	28	25¼	23	23¼	
27	10½	AGS s			14	111	18½	18¼	18⅜	
7⅞	3	AMCA			72	3	d	2⅞	3⅞	−⅛
⅝	½	AMCA rt			102	7-16	d	⅜	⅜	−⅛
6⅝	3¼	AM Intl				288	3⅞	3⅝	3¾	
65½	28¾	AMR			11	1514	43	42⅝	42¾	+⅛
11⅛	5¾	ARX			11	27	8⅜	8⅛	8¼	
72⅞	40⅞	ASA	3	6.9		z381	43¾	42⅝	43⅜	+¾
22⅜	9½	AVX			12	276	16¾	16⅜	16⅝	+⅞
66⅜	40	AbtLab1.20		2.8	18	5284	43⅞	43⅛	43⅝	+⅝
28	15⅜	Abitibi g	1			7	16⅝	16⅝	16⅝	+⅛
16¾	8½	AcmeC .40		3.6		428	11¼	10⅞	11¼	+⅛
10½	6⅝	AcmeE.32b		4.5	22	5	7⅞	7	7⅛	+⅛
30	14⅛	AdaEx 3.05e		20.		148	15⅛	15⅛	15⅛	+¼
19¼	8⅞	AdamM.24		1.5	15	151	16¼	15¾	15¾	−⅜
24⅞	7½	AMD				11836	15⅛	14⅝	15	+⅛
56¾	30¼	AMD pf	3	7.5		70	39¾	39⅛	39¾	+½
11⅞	4⅝	Adobe			12	21	7⅜	7¼	7⅜	−⅛
21¾	17½	Adob pf 2.40		12.		14	20½	20½	20⅛	−¼
13⅞	6⅛	Advest .12e		1.8	7	33	6¾	6⅝	6⅝	
64¼	39½	AetnLf 2.76		6.8	9	3028	41	40⅜	40⅝	+⅛
83⅛	41	AflPub .40		.8	48	672	52⅞	51¾	52⅜	+½
23¾	13	Ahmans.88		6.1	10	5686	14⅝	14⅛	14⅜	+⅛
4⅞	1¾	Aileen				22	3⅛	3	3⅛	
53⅞	29	AirPrd	1	2.1	13	756	47	46⅜	47	+⅞

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, May 13

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, May 13

[illegible]

Continued on Page 37

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling looks attractive on the one way bet theory

BY COLIN MILLHAM

ATTENTION FOCUSED on the Bank of England Quarterly Bulletin at the end of last week, amid suggestions that the central bank had blundered in indicating that it would prefer a lower exchange rate for sterling, and higher UK interest rates.

This followed a similar reaction to comments by Mr Nigel Lawson, the Chancellor, earlier in the week about the possibility of a co-ordinated rise in world interest rates.

Only time will tell, but it appears this could turn out to be a strong case of over reaction, and that the authorities are only restating their well known opinions. The market may be well advised to stand back and take a more considered view of the general situation regarding sterling and the level of interest rates.

The main danger for the authorities is that they will be forced into another unwanted cut in rates.

The talk in the market on Friday suggested that the pound is a one way bet. It will either move higher, because the Bank of England has no intention of cutting interest rates, or it will be prevented from falling sharply, as the authorities take advantage of any decline in the exchange rate to signal a rise in bank base rates.

Mr Chis Tinker, an economist at Phillips and Drew, said he believed DM3.20 is a psychologically important level for sterling, but that there is no clear official policy regarding the pound.

He added that foreign investors are encouraged to buy sterling because the Bank of England has indicated it does not wish to cut interest rates; Britain has a record of political stability; and there is a reluctance to take positions in the dollar, ahead of tomorrow's US trade figures.

Mr Tinker added that the West German economy is extremely dull, but Mr Nigel Richardson, an economist at Warburg Securities, believes the situation could change if the US trade figures are particularly bad.

There will then be a temptation to move into hard currencies, such as the D-Mark and Japanese yen. Sterling is not a hard currency. It is a very attractive speculative currency, but may suffer if the dollar weakens.

Mr Richardson is not alone in thinking that the UK authorities are suffering on the horns of a dilemma. The Bank of England intervened to sell the pound on Friday, and appeared to be unusually keen to inform the world about it. The market deduced from this that the intervention was not on a large scale.

Mr Richardson said the authorities are moving away from a policy of intervention, and are desperate to hold on without having to cut rates. He agrees with Mr Tinker about the importance of DM3.20 for the pound. If sterling rises above this level a cut in bank base rates cannot be ruled out, even if this proves strictly temporary.

Ms Evelyn Brodie, senior UK economist at Morgan Grenfell, said there was every reason to be bullish about sterling in the short term.

But she placed particular emphasis on Thursday's UK industrial production figures, which could prove as important as money supply and bank lending figures, released the same day.

Production by the manufacturing industries fell 3.2 p.c. in February, and dealers will be looking to see if this was merely an aberration, or if the UK economy is showing signs of slowing down.

£ IN NEW YORK

May 13	Close	Previous Close
£ Spot	1.8895-1.8805	1.8825-1.8835
1 month	0.10-0.09pm	0.08-0.07pm
3 months	0.38-0.36pm	0.35-0.33pm
12 months	1.63-1.55pm	1.76-1.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4805	+2.41	+0.92	±1.5344
Danish Krone	7.85212	7.98013	+1.63	-0.14	±1.5404
German D-Mark	2.05853	2.07981	+1.05	-0.46	±1.0981
French Franc	6.90403	7.05254	+2.15	-0.66	±1.3674
Dutch Guilder	2.31943	2.33154	+0.52	-0.97	±1.5012
Irish Punt	0.768411	0.778520	+1.32	-0.17	±1.6684
Italian Lira	1483.58	1543.40	+4.05	+3.11	±4.0752

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls July	Calls Sep	Puts May	Puts Jun	Puts July	Puts Sep
1.800	8.90	8.90	9.10	9.70	-	-	0.40	1.25
1.825	6.40	6.45	6.95	7.80	-	0.10	0.65	1.80
1.850	3.90	4.25	5.00	6.15	-	0.40	1.30	2.60
1.875	1.40	2.40	3.45	4.70	-	1.90	2.15	3.65
1.900	-	1.15	2.20	3.55	0.85	2.15	3.30	4.90
1.925	-	0.50	1.35	2.65	3.25	3.90	4.90	6.40
1.950	-	0.20	0.80	2.90	5.80	6.25	6.75	8.15

Previous day's open int. Calls 514,965 Puts 487,594
Previous day's volume: Calls 33,874 Puts 15,625

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.65	-	18.65	-	19.05	-	1.30	-	1.80
1.70	15.60	15.70	-	16.40	0.30	0.55	-	1.50
1.75	11.90	14.20	12.10	12.40	0.20	0.30	0.50	1.10
1.80	0.70	9.05	7.40	8.20	0.30	0.50	1.05	2.30
1.85	4.30	4.60	3.80	6.50	0.20	1.55	2.20	2.95
1.90	0.30	1.40	2.05	3.85	2.30	4.30	5.30	6.80
1.95	0.20	0.30	0.70	1.60	8.50	8.60	9.30	10.30

Estimated volume total Calls N/A Puts N/A
Previous day's open int. Calls 823 Puts 764

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8910	1.8901	1.8877	1.8832	1.8748
D-mark	3.1825	3.1695	3.1464	3.1091	3.0362
French Fr.	10.788	10.788	10.788	10.787	10.785
Swiss Fr.	2.6475	2.6351	2.6101	2.5715	2.4971
Yen	235.75	234.96	233.32	230.74	225.58

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth	12-mth.
1.8910	1.8901	1.8877	1.8832	1.8748

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.8905	1.8920	1.8880	1.8825
Sep	1.8862	1.8880	1.8840	1.8782
Dec	1.8804	1.8812	1.8810	1.8724

MONEY MARKETS

Caught on the horns of a dilemma

INTEREST RATES eased in London towards the end of last week, as the Bank of England found itself caught in a difficult situation.

The strength of sterling pointed towards the need to cut interest rates, but the trend in world interest rates suggeststhis would be moving against the grain.

The US Federal Open Market Committee meets tomorrow, and the West German Bundesbank will hold a council meeting on Thursday.

Dealers in Frankfurt are nervous that the Bundesbank may tighten credit policy, although at last week's securities repurchase agreement tender the central bank was content to keep interest rates steady.

UK clearing bank base lending rate
8 per cent
from April 11

Recent comments from US official have suggested the Federal Reserve may have completed its policy of tightening interest rates. Federal funds are now over 7 p.c., compared with 6½ p.c. at the end of March, but the market will look closely for any sign that the FOMC has decided to continue the upward trend.

US banks increased their prime lending rates by ½ p.c. to 9 p.c. last week, and if this is a firm trend the Bank of England will not wish to be pushing rates in the opposite direction, at a time when the Government and the central bank continue to worry about inflation.

If City forecasts prove correct Thursday's UK money supply and bank lending figures are likely to provide only a little comfort. M4 lending, including building societies, is expected to remain strong, rising about £6bn in April, compared with £6.7bn in March.

FT LONDON INTERBANK FIXING

MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

LONDON MONEY RATES

WEEKLY CHANGE IN WORLD INTEREST RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 10,913

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

SECTION III

FINANCIAL TIMES SURVEY

Devastated by the recession, Coventry was slow to realise recovery required a hands-on approach. But it is now showing firm signs of growth, assisted by its attractive location and infrastructure for industry, reports Richard Tomkins, Midlands Correspondent

The ability to adapt

Coventry's statue to its most famous lady: Lady Godiva, who rode naked through the city in protest at her husband's excessive taxes

Coventry

IF HISTORY has taught Coventry anything in the last few hundred years, it is how to survive.

Devastated twice within living memory, first by bombing in the second world war and then by the effects of recession on its manufacturing industry, it has had to call heavily on its ability to adapt. But coping with change is a tradition that, for Coventry, goes back a long way.

In the Middle Ages it was agriculture and the wool industry that gave Coventry its prosperity, and the city grew to become the fifth biggest in the country. As the wool industry declined, so it was replaced by ribbon-weaving, and that in turn by watch and clock making, then sewing machines, bicycles, motor bikes and cars.

Oddly, in spite of the city's present-day position as the capital of Britain's motor industry, Coventry was a laggard in the early days of the industrial revolution. This was because most of the land was tied to freemen of the city: only a patch in the centre became untied and available for development, and the city was left behind by rapidly industrialising neighbours such as Birmingham and Wolverhampton.

Just over 100 years ago, however, Coventry stumbled almost by accident into the motor industry when Daimler Benz chose to set up a manufacturing plant in the city, and a period of rapid expansion began. It became the fastest growing city in Britain: in the period from 1945 to 1965, for example, the population rosa from 250,000 to 350,000.

The post-war hoom brought great prosperity to Coventry, but also set the scene for troubles to come. Such was tha pace of growth of the motor industry that it came to dominate the city, leaving it dangerously exposed to this single sector. Labour shortages brought high wage settlements, restrictive working practices and a reputation for industrial unrest.

Mr Harry Noble, the plain-speaking Yorkshireman who heads the city council's department of economic development and planning, says it was the oil crisis of 1973 that brought the party to an end, but the warning signals were clear well before that.

"Even ignoring the Middle East crisis, those of us who were prepared to look beyond the ends of our noses could see there was a recession coming abont arising from overmanning, bad management, and more efficient competition emerging from places like Japan.

"We stood there and watched the motor cycle industry disappear because we just couldn't believe what was happening. The car industry nearly went the same way, but we woke up just in the nick of time."

At the time recession struck, about 80 per cent of Coventry'a workforce was employed in manufacturing, a higher proportion than almost anywhere in the country, and the city was correspondingly badly hit. The figures tell a frightening story: in the eight years to 1982, some 62,000 manufacturing jobs – more than half those that existed – disappeared. Unemployment shot up from 7.7 per cent in January 1980 to 18.7 per cent in December 1981.

As Mr Noble puts it: "Whereas most cities went into decline down a gentle slope, we fell over the edge of a precipice. We went from boom to gloom in five seconds flat."

Coventry's sudden transformation from one of Britain's most prosperous cities to one of the most depressed sent a shockwave through the local population. It was one from which they were slow to recover: indeed, Coventry has sometimes been accused of reacting belatedly to the events of the late 1970s and early 1980s.

"The trouble is that a lot of the population growth in Coventry after the war was driven by people who came to the city for what they could get out of it rather than what they could put into it," says Mr Noble.

"When recession came there was a kind of total disbelief in what had happened to the city, a belief that it was just a cyclical process and that if we all just sat on our backsides it would sort itself out."

Eventually, the city swallowed its pride and joined with other parts of the West Midlands in aeeking designation as an assisted area. It also atarted pitching alongside other recession-struck towns and cities for inward investment – though it was not until May 1986 that the city council decided to set up an economic development and planning committee with a specific brief to revitalise the local economy and tackle unemployment.

If Coventry came late to the realisation that recovery requires a hands-on approach, its progress over the last few years has in some measure compensated for the delay. The local economy may not yet be booming, but it is showing firm indications of growth. For example:

□ Jaguar, the luxury car maker and Coventry's biggest single manufacturer, has gone from strength to strength since its privatisation in 1984 and now employs nearly 10,000 in the city. Its reputation and success in the home and export markets are a source of considerable local pride.

□ Other car manufacturers are also thriving. Peugeot Talbot has taken on another 1,400 workers at its Ryton plant this year to make the Peugot 405 – the "car of the year" for 1988 – and the Peugot 309. It now employs abont 5,500 in the city.

□ Warwick University Science Park, claimed to be the fastest-growing in Europe, is drawing to high-technology companiea requiring links with the adjoining university, itself renowned for its close co-operation with industry. The Westwood Business Park, recently set np on an adjacent 74-acre site, is expected to provide 2,000 jobs over the next few years.

□ New industries are moving into the city – for example, Telemechanique, a French company supplying automation systems; Ibucon, which installs computer-aided design services; and Automatix, which supplies intelligent vision-based robotic systems.

□ Non-industrial employers are also beginning to show an interest in Coventry. Equity and Law Life Assurance Society has already set up its headquarters there and the Land Registry is establishing its regional operations in the city. British Gas is to set up its research headquarters in nearby Stoneleigh.

□ The city centre is to be radically altered over the next few years by about £100m worth of private investment in retail developments such as the West Orchard Centre scheme in Smithford Way and the redevelopment of Broadgate East.

One of the city's main difficulties is that the job losses incurred in its key manufacturing industries during the recession were on such a scale that they will probably never be retrieved. The companies that survived have done so only by greatly increasing productivity, and however successful they may be in the future, they are never likely to return to the manning levels seen in the 1960s.

Consequently, unemployment may have come back from peaks of around 20 per cent to 13.3 per cent now, but it is still significantly higher than the regional average of 10.1 per cent and the national average of 9.3 per cent. Further, the overall figure masks pockets of very severe unemployment in some inner city areas, particularly those with high ethnic minority populations.

According to Mr Noble, Coventry went into the recession as one city and came out of it as two.

"We are becoming a city of the haves, whose wealth and prosperity and quality of life is improving all the time, and the have nots, whom the regeneration of the city has passed by because they do not have the skills demanded by a labour market looking for greater and greater educational attainment all the time."

The city's first priority in trying to alleviate these problems is to stimulate job creation by protecting and nurturing existing businesses. But an important plank of its strategy is to achieve a greater diversification of the local economy, not simply through vying in the intensely-competitive marketplace for inward investment, but also by targeting small but growing local sectors for support.

One example is the textiles industry which has sprung up around the Asian business community. This is the only manufacturing sector to have increased employment in Coventry over the last 10 years and now provides an estimated 2,000 jobs. The city hopes to double that figure in the next five to 10 years.

Another area earmarked for development is tourism. In the past, Coventry regarded tourism as a nuisance rather than an asset, but the industry is now more highly valued: it is already estimated to provide about 7,000 jobs and is believed to have potential to grow much further.

On the inward investment front, Coventry has been handicapped in the past by low yields which have discouraged the speculative development of attractive business and office premises. But with the ripple effect of the booming south-east already clearly evident in Northampton and Banbury, and rents in nearby Birmingham moving rapidly ahead, it looks well placed to benefit from an upturn.

Indeed, location is where much of Coventry's allure lies. Sited a few miles from the monument at Meriden marking the traditional centre of England, Coventry lies at the hub of the motorway network, is served by fast trains to London, Birmingham and the north, and is close to Birmingham Airport and the National Exhibition Centre.

Coventry's problems are a long way yet from being solved, but optimism is runing at higher levels now than for many years. It was a fitting tribute to what has been achieved so far that Coventry City Football Club won the FA Cup last year, giving a significant boost to local self-confidence.

Characteristically, the city did not waste the opportunity this presented: it used the victory as a plank for a publicity campaign based on the image of the city as a winner.

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The economy is still overly dependent on manufacturing

In search of more diversity

COVENTRY'S DEPENDENCE on manufacturing is "staggeringly high", according to its own Council's most recent report on the city's economic performance and prospects. The message is clearly about having too many fragile business eggs in one or two industrial baskets.

Manufacturing accounts for 55 per cent of the local employment – about double the national average. But while Coventry emerges, as its Midlands neighbours are doing, from the lowest troughs of recession, it is hard to tell whether this is a bad thing or not. Indeed, the enigma is wrapped in a paradox, for the Council itself is part of a direct public sector which employs 38 per cent of all those in work in the city. Some analysts might regard that figure as "staggeringly high".

The fact probably is that no one can any longer tell for certain what the mix should be, so complex and dynamic are the interrelationships between sectors. But, with large-scale demanning, closures, and regrouping within manufacturing, it is arguable that jobs here are less vulnerable now than those in local government, teaching, and other labour-intensive state agencies. What cannot be denied is that Coventry does need more jobs.

Overall, the unemployment rate is falling more quickly than it is in Britain as a whole, but 13.3 per cent of the working population are still out of work, compared with a national average of 9.3 per cent.

To bring the percentage down even faster, Coventry Council has an economic development programme that is broader-based and more energetic than the city's size and population might suggest. Part of the proof of this vigour is that, over the past four years, it has attracted a disproportionately healthy 6 per cent of all inward investment to the UK.

If a trend in sectoral patterns can be discerned, it is that an increasing proportion of this investment is likely to go to service industries, which – as the Council's report notes – is becoming internationalised, from hotels and banking to retailing and insurance.

The local economy, it concludes, "is not really local at all." Most of the decisions affecting people's working lives are taken elsewhere, "yet the city's largest single employer belongs to its people. The City Council is a corporate giant in its own right and is the most local and accountable of all local employers."

This hints at an ideological schizophrenia that might be damaging, were it not for the real, practical initiatives that the Council is taking bring about economic development in Coventry, using a mixture of EEC and Whitehall fund aid, and some downright business common sense – all helped by a growing reputation for making decisions quickly in response to overseas interest.

It is, for instance, releasing land as fast as it can process the deals – and that was a clinching factor in deciding Sun Hydraulics to bring their business and 150 new jobs to the city.

The biggest single growth area outside the automotive sector is in textiles, which now employs more than 2,000, mainly in the small-business and Asian communities. Coventry Clothing Centre, partly financed by the City Council, acts as an advisory bureau, business centre, and design consultancy.

At the high-technology end of the industry, Courtaulds dominates, with a major base employing 3,000 of the company's 47,000 UK staff. The company has been in Coventry since 1905, when it pioneered manmade fibres with the first commercially successful viscose yarn. Today, the company's activities include plastics, composites, advanced engineering and research, with a new R&D centre for polymer-based technologies. It is now the city's seventh largest employer, bracketed by Peugeot-Talbot and Dunlop.

Courtaulds is proud of its city connections: it was instrumental in running one of the first, pilot YTS schemes and now cooperates directly with local schools on work-experience programmes. The economic and social spin-off is unquantifiable but clearly enormous.

Meanwhile, the search goes on for new and durable new business in Coventry. Like almost every other major conurbation that finds itself industrially bereaved, Coventry is turning to the promotion of tourism, recreation, and conferences.

Marketing budgets for these are modest but not insignificant, and the city will probably secure more than its natural fraction of this business, building on the Cathedral's long-established value as a crowd-drawer, the proximity of Warwick University and its Westwood Business Park, and the convenience of Coventry as a centre from which to visit the region's honeypots - notably Stratford.

The eventual joining up of the M40 with the M42 will help on all three counts – as will the planned, and much-to-be-desired, improvement and expansion of the city's hotel facilities.

Ian Breach

Motor Industry

The tide turns

AT THE heart of the UK motor industry, the city of Coventry has acted as a barometer for the state of health of the country's most important manufacturing sector.

The industry's long years of apparently endless decline have seen the demise of many of Coventry's most famous car marques and have cut deeply into the city's prosperity.

Since 1975 more than half the jobs at Coventry's leading vehicle manufacturers and components suppliers have disappeared, but the tide has finally begun to turn helped not least by the resurgence in the fortunes of the city's two main remaining car manufacturers Jaguar and Peugeot Talbot.

Last month, for the first time in 12 years, Peugeot Talbot began double shift working at its Ryton assembly plant and has recently announced the highest profits in the company's history; ending a period of 8 years, from 1979 to 1986, in which it ran up accumulated pre-tax losses of £286m.

Following its successful privatisation in 1984, Jaguar has emerged from the traumas of its years as part of British Leyland as one of the leading symbols of the regeneration of UK manufacturing industry. With an ambitious growth in output since the mid-1980s, Jaguar has been expanding its workforce and has taken over from GEC as the leading manufacturing employer in Coventry.

The Rover Group, still the country's biggest car manufacturer, no longer has any significant manufacturing presence in Coventry, following the closure of the former Triumph assembly plant and Morris engine works. But Canley, Coventry, is still the headquarters of Austin Rover, the group's volume car operations, as the well as the centre for the company's product engineering, design and concept engineering, and sales and marketing.

According to statistics from Coventry City Council's economic development and planning department, the automotive industry still accounts for 28 per cent of the city's workforce with 27,274 employed in the sector.

Despite a large number of small components suppliers in the immediate Coventry region (including Nuneaton and Bedworth), the local motor industry is dominated by a group of six companies – Jaguar, Peugeot Talbot, Massey Ferguson, Rover, Dunlop and Alvis. These six alone still account for around 72 per cent of motor industry employment in Coventry, although there are growing efforts to develop a motor components task force in the city in order to foster small suppliers.

The city authorities have identified around 57 companies in the automotive sector, of which some 34 have less than 200 employees. Their profits and turnover have begun to improve and many are again beginning to invest after years of retrenchment.

Also located in Coventry is Carbodies, the maker of black taxi cabs, which currently has a full order book and is producing at a rate of around 50 a week including some for export.

Inevitably much of the loss of motor industry employment in Coventry has stemmed from the demise of BL or British Leyland, which still had a workforce of 27,250 in the city in 1975. Several of its earlier operations still survive, though under different ownership, including Jaguar, Unipart, Alvis, Kalmar Climax (now part of the Swedish state-owned Procordia group), Climax Engines and Self Changing Gears. By 1987 the number of jobs surviving from the old BL empire was down to 14,311, however.

'The future lies with Jaguar and Peugeot'

The first British-built motor cars were produced in Coventry by the Daimler Company at its aptly named Motor Mills in Sandy Lane in 1897, and growing out of the old bicycle industry many famous marques were to follow including Riley, Singer, Hillman, Humber and Armstrong Siddeley. While the names evoke the nostalgia of the great years of the British motor car, the future of the industry in the city lies rather with Jaguar and Peugeot Talbot.

Jaguar's resurgent fortunes are best illustrated by the rapid increase in output the company has achieved. Since 1983 production has grown from 28,000 to 48,000 last year, and the company has recently reached a new productivity agreement, which should allow output to rise further to 56,000 this year and a planned 60,000 in 1989.

Deliveries to dealers and distributors rose by 19 per cent last year to 49,200, despite a fall in US sales caused chiefly by the hiatus created by the introduction of a new model, the XJ6 saloon. In the UK sales rose by 51 per cent to 11,582 and in continental Europe by 44 per cent to 6,286.

Despite a softening in the US luxury car market this year which has had a sharp impact on some European car makers such as Porsche, Mercedes-Benz and Volvo, Jaguar has bucked the trend, recording a 9 per cent increase in US sales in the first three months. Sir John Egan, Jaguar chairman and chief executive, plans to sell 25-26,000 cars in the US in the whole of 1988.

The company is investing heavily both in product development and in plant and equipment, not least to make up for the dangerous shortfall of the BL years. Much of the capital spending is currently being aimed at the increased automation of the body assembly and engine plants, and around £55m has been spent on a new engineering centre at Whitley, Coventry. Total capital expenditure jumped to £132m last year from £93.9m in 1986, and the high spending level will continue this year.

Over at Ryton, Peugeot Talbot, the UK subsidiary of the French automotive group, has been boosted by the successive introduction of two new models, the 309 and the 405 which have helped to make Peugeot the fastest growing of the big six European volume car makers.

With the introduction of double shift working for the first time in 12 years Peugeot is increasing output to 2,200 cars a week from a recent level of 1,100, and the company is aiming to reach full capacity of around 3,500 cars a week by mid-1988.

Mr Geoffrey Whalen, managing director, claims that productivity at Ryton can now compete with Peugeot's continental plants. Production is planned to virtually double to around 80,000 cars this year from 45,000 in 1987, with output forecast to exceed 100,000 units in 1989. "Lessons of the past have been learned and now if we can continue along the same path, we can look forward to a period of substantial growth," says Mr Whalen.

Peugeot Talbot has recruited around 1,400 people since the end of October in preparation for double shift working, and the group's UK workforce has now reached around 6,500 compared with a low point of 4,800 in 1985. This year the company expects to produce around 30,000 405s for the UK market, 20,000 for export to West Germany, the Netherlands and Belgium, and 30,000 309s for the UK market.

In the last five years it has increased its share of the UK car market from 2 per cent to 5 per cent. It is after a market share of 6-6.5 per cent in 1988 and more than 7 per cent next year.

Kevin Done

Trucks and engineering

Painful adjustments

THE HEAVY end of engineering in Coventry has gone through more traumas in the past ten years than at any time since the 1940s.

Some companies buckled and disappeared. Some have shrunk but have stayed alive remaining weak and with uncertain futures. Others have been put through the mill but are now on a more secure footing and are growing again, sometimes in the ownership of a new parent.

Three companies reflect some of the changes that have altered this broad and varied sector of Coventry industry.

Massey-Ferguson, the farm machinery arm of the Canadian Varity group has concentrated a large part of its farm tractor making in Coventry which is now the group's biggest farm machinery site.

But in the past few years this has been coupled with sometimes painful adjustment to the 1980s in manpower and working practices.

Kalmar-Climax is one of the leading UK-based manufacturers of lift trucks. A difficult and declining period in the company's history was brought to a conclusion in 1986 when the original business, Coventry Climax, was purchased by the Swedish Kalmar group. Major changes in production and culture have been set in train since then.

Finally, machine tool maker Matrix-Churchill is one of a few remaining companies in Coventry which continue the city's tradition as a small, if significant machine tool centre. Its long-time parent, the TI Group sold the business last year in a deal which involves a partial management buy-out and the machine tool business is looking forward to a healthy sales year.

Massey's Banner Lane plant produced 65,000 tractors and tractor kits last year, the largest production figure since 1984 when the world agricultural machinery market was still in decline from the heady days of rising demand in the late 1970's.

Production at the 1.5m sq ft Banner Lane site accounted for by far the largest slice of Massey's almost 19 per cent of the western world tractor market. The site concentrates on medium-specification bread and butter tractors in the 45hp to 100hp bandings.

The pressures in surviving a tough market, dominated by fierce pricing and overcapacity has taken its toll at Banner Lane but many of the changes there have put the factory on a much more comfortable cost footing.

Massey's employment in Coventry has tumbled from 5,600 in 1977 to about 2,000 now, though some of this was accounted for by a transfer of most production for industrial machinery to the company's Manchester plant.

In the past eighteen months, a whole series of changes in working practices and pay has been introduced, partly linked to a £14m investment programme.

There are now only four main job grades at Banner Lane and half the direct labour force has been retrained to switch between machining and assembly.

Banner Lane now has a break even point of 45,000 tractors a year and is operating at a profit. The Massey group's worldwide headquarters are at nearby Stoneleigh in Warwickshire.

Since the purchase of Coventry Climax by Kalmar, something of a Swedish imprint is being remorselessly, if slowly, stamped on the factory, affecting manufacturing techniques, training, communications and shopfloor organisation. Some £3m of new capital has been inserted into the business and £3.7m of direct investment.

With the help of tapping into Kalmar's larger dealer network in Europe, Kalmar-Climax is expected to produce 1,400 of its one to six tonne trucks this year. This would be a 40 per cent increase on 1987 with a target of 1,700 trucks for next year.

A study is being carried out on the possibility of harmonising some component supply and engineering between Coventry and Sweden where Kalmar makes trucks up to 80 tonnes.

But positive things are happening there and the plant, once part of the BL group, has much brighter prospects than it did when the group of entrepreneurs

continued on next page

Education institutions have forged close ties with local companies

Model links for 'young Turks'

THE IVORY towers of academia and the soot-blackened factories of industry have often seemed an infinite distance apart, misunderstanding and mistrusting each other.

In Billy Joel's Allentown, the singer's lament for a city ravaged by unemployment contains the refrain "the graduations hang on the wall, but they never really helped us at all. No they never taught us what was real, iron and coke, and chromium steel".

Coventry's education system is trying to avoid such mistakes by forging close links with the industry that dominates the area. At Warwick University, Professor Kumar Bhattacharyya has built up, over 8 years, a Manufacturing Systems Engineering faculty that has been described as the model of a Thatcherite educational institution.

A few years ago the university, the polytechnic and three colleges of further education established the Coventry Consortium to offer a joint programme of self-financing courses for local industry.

But it has taken time for the professors and the entrepreneurs to align their outlooks. "The hallmark of educational research is that it is very narrowly-focused but goes very deep" says Dr Peter Morris of Warwick's Advanced Technology Centre, "but companies aren't interested in the barriers between disciplines. They want solntions to problems and that's why we at Warwick go for the multidisciplinary approach".

The Warwick courees are designed to appeal to three different levels of corporate management. First there are the "young Turks", the 25-30 year old up-and-coming young managers. Secondly there are the middle managers and thirdly, the board. "British edocation establishments have rarely, in the past, come into contact with board members" believes Morris.

For the "young Turks", Warwick has developed the Integrated Graduate Development Scheme in conjunction with some of the major companies in the Coventry area. "Individuals don't commit to the scheme, companies do" explains Morris.

'Companies aren't interested in barriers between disciplines. They want solutions to problems'

Twenty-five companies participate in the scheme including famous names like Rover, British Aerospace, Rolls Royce, Jaguar, GKN, Locas, Short Brothers, Thorn EMI and Plessey.

The IGDS is, in educational jargon, a "modular" course with each module lasting a week or so. Course members choose around 14 modules from the 47 available. It is a broad course with options ranging from Applied Thermodynamics to Financial Analysis.

"No university could teach 100 per cent of such a broad programme" says Morris. As a result, over 50 per cent of the course material is taught by people from outside the university.

For middle managers, such intensive, time-consnming courses can be impractical. Warwick has accordingly developed short courses in which the key elemeots of some of the more important modules are distilled. Board members, who have even less time, tend to come in for two-day sessions at which they can discuss, in detail, their corporate strategies.

The faculty, which began in 1980 with just Professor Bhattacharyya, now has over 100 staff whose work is not confined to the IGDS. The group has over £3m worth of computer Aided Design and Manufacturing (CAD/CAM) equipment and the UK's first computer integrated manufacturing demonstration centre.

All this has been built up with the co-operatioo of, and funding from, local industry. The MSE groop's income from industry totally outweighs the public funds it receives. "Our association with the University of Warwick has played a key role in the technical advance of Austin Rover" said Andrew Barr, the motor gronp's manufacturing operations director, in a recent speech.

At Coventry Polytechnic, the links with industry are also very strong. "We've always, as a poly, been very close to industry but recently we've got nearer to partnership than anything we've experienced hitherto" says Dr David Morris, the dean of business.

One unusual course that the polytechnic runs is the Certificate in Business Analysis. "It's subtitled 'so this is what business is all about'" explains David Morris. The course was designed by a small team of people from the poly and a group from Rover. All the people studying for the certificate are Rover employees and the course is taught at Rover, jointly by staff from the poly and from the company.

The polytechnic is also proud of its work in "technology transfer" - the buzz phrase for the liaisoo between academic research and industry. Dr Merritt of tha Mechanical Engineering department has developed a catalytic conversion engine which could revolutionise the motor industry. The Energy Systems Group has developed a low head hydro-electric power unit which does not require high water pressures and thus is a cheap power source.

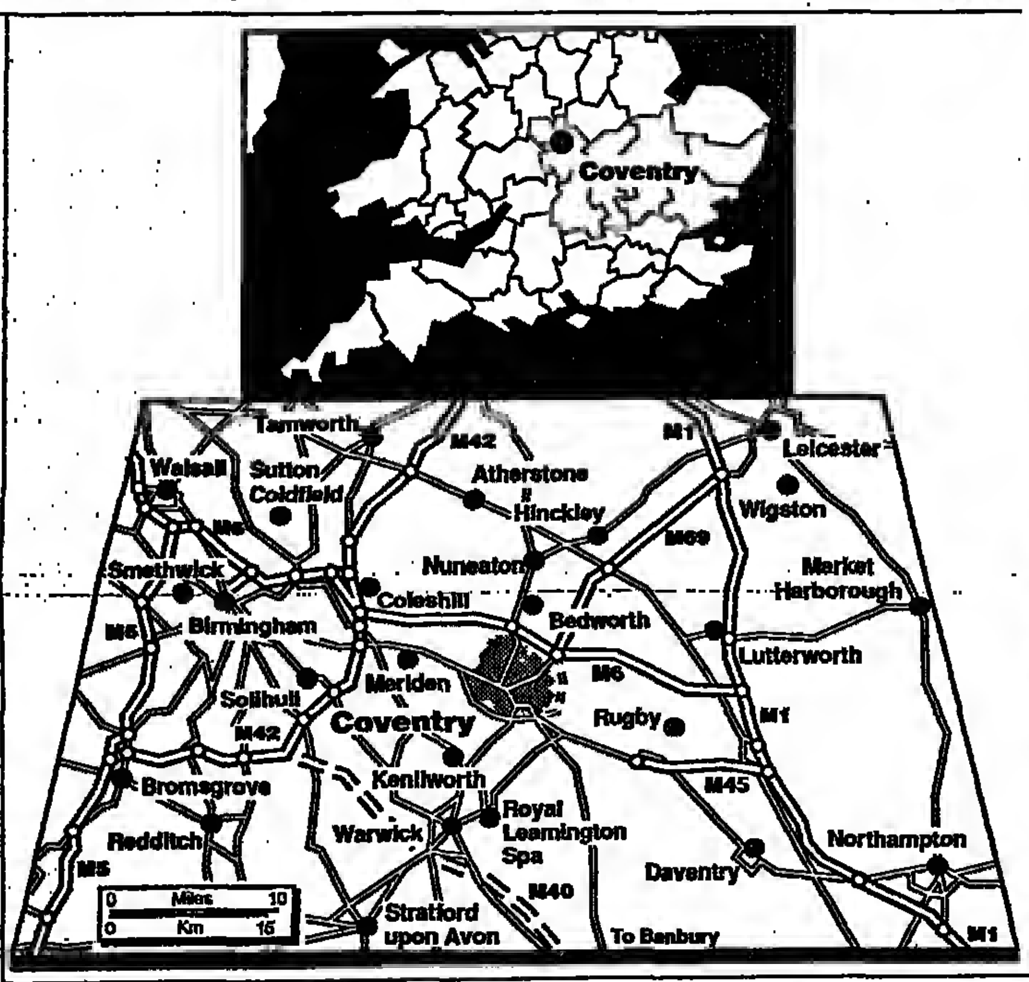
It is hard for a public-sector body like the polytechnic to compete with the salaries offered by industry. Coventry Poly tries to solve tha problem by getting industry to "top up" the salary of key staff - so far companies sponsor around a dozen posts.

The proof of an industry-based education is if students actually succeed in winning jobs -all Coventry Poly's Industrial Design students were offered one before the end of the course.

Philip Coggan

Chamber of commerce

A part of the change



BRITAIN'S INDUSTRIAL cities, on the whole, are acutely short of business leaders like Mike Collett, President of Coventry's Chamber of Commerce.

For a start, he is aggressively, cheerfully, realistic rather than combative about other regions' attempts to revive themselves: "we're likely to benefit from their successes and they from us", and – speaking only a couple of days before restructuring of GEC-Plessey – "we shouldn't roar with triumph if Liverpool loses jobs rather than Coventry as a result of any merger. It's literally not in our interests. Merseyside people need a strong economy too, so they can buy things made in the Midlands."

If that's a refreshing change from the usual dark competitive spirit one tends to find in these places, it is little more than a reflection of his view of the political climate in which industry, commerce, and local authorities are searching for a new prosperity.

"We have a Tory central government and a Labour council," he says, dismissing it as an almost irrelevant truism. "All I need to know is whether they will deliver the help we need if we get our part of the package right."

On recent performance, the Chamber's role in this is certainly changing radically, with the emphasis now very firmly on job-related development. On the day Mr Collett was talking, 60 children and their teachers had just arrived in coaches from schools in Coventry, Nuneaton, Leamington, Kenilworth, and Bedworth to take their first look at the training programmes which now account for more than half the Chamber's annual income.

The youngsters, bright, polite, scattered around offices in the St Nicholas Street headquarters, made a telling contrast to the stereotype of Chambers of Commerce as worthwhile but essentially passive and conservative institutions: indeed, it is a sight that echoes the growth of the Coventry Chamber, which has quadrupled its membership to 1750 companies in just tweoty years and seen income rise from a few thousand pounds to just over £1m in tha last financial year.

The Chamber has made use of the membership in a way that complements the Governmeot's employment efforts: it knows its members' needs and potential far better than any public job agencies can. Its own Youth Training Scheme, operated since 1983, now has a placement rate of 95 per cent.

The Job Training Scheme, institnted a year ago, has resulted in 107 full-time jobs out of 502 starters. An extension of tha scheme is planned for tha autumn. Mike Collett sees these figures as evidence that the Chamber's new "monitoring and matching" service is beginning to work.

Like others involved with education and training in the Midlands today, he foresees serious skill shortages in the next few years unless there is a redoubled programme of Government-aided schemes.

But optimism breaks through as he enthuses about the relocation of the Land Registry, which is coming to Coventry from London. It represents not just jobs for the city, but all that comes with several hundred civil servants and their families – increased demand for higher – standard services, housing, schools, and the like. It also puts money where the Government's mouth is. Only last month, John Bntcher, MP for Coventry South-west and Junior Trade and Industry Minister, was declaring: "people in the south should be looking hard and long at the opportunities for relocating here."

Mr Collett's enthusiasm is tempered only by the feeling that Coventry has yet to make much of its EEC potential. "We're establishing good links and trade with Hong Kong, the Gulf States, and Egypt, but there are 350m customers not far away who we aren't tapping."

He shares others' disappointment that the road links to Coventry, so good and getting better from the North, the South, and – eventually, via the A55 Expressway – the Welsh coast and Ireland – are still poor for getting goods across the North Sea. But he remains an optimist. "It's a dynamic scene," he says, "and we're a radical part of the change that is now taking place."

Ian Breach

Adjustments

from previous page

who purchased it from BL in 1983 put it up for sale two years ago.

The former TI Machine Tool business now employs more in Coventry than it has ever done. This is partly because the company closed a large production site near Newcastle upon Tyne two years ago and transferred production to the existing Coventry set-up.

Last year, a holding company called TMG was set up specifically to buy TI's machine tool interests. The company has financial backing from Middle Eastern and European interests.

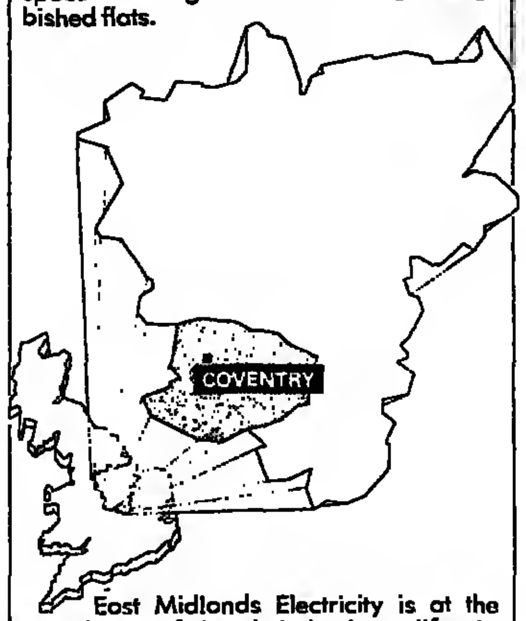
The machine tool business has a board of directors which includes some of the previous management when it was under TI ownership though these managers seem reticent about giving information on some of the other members of the board.

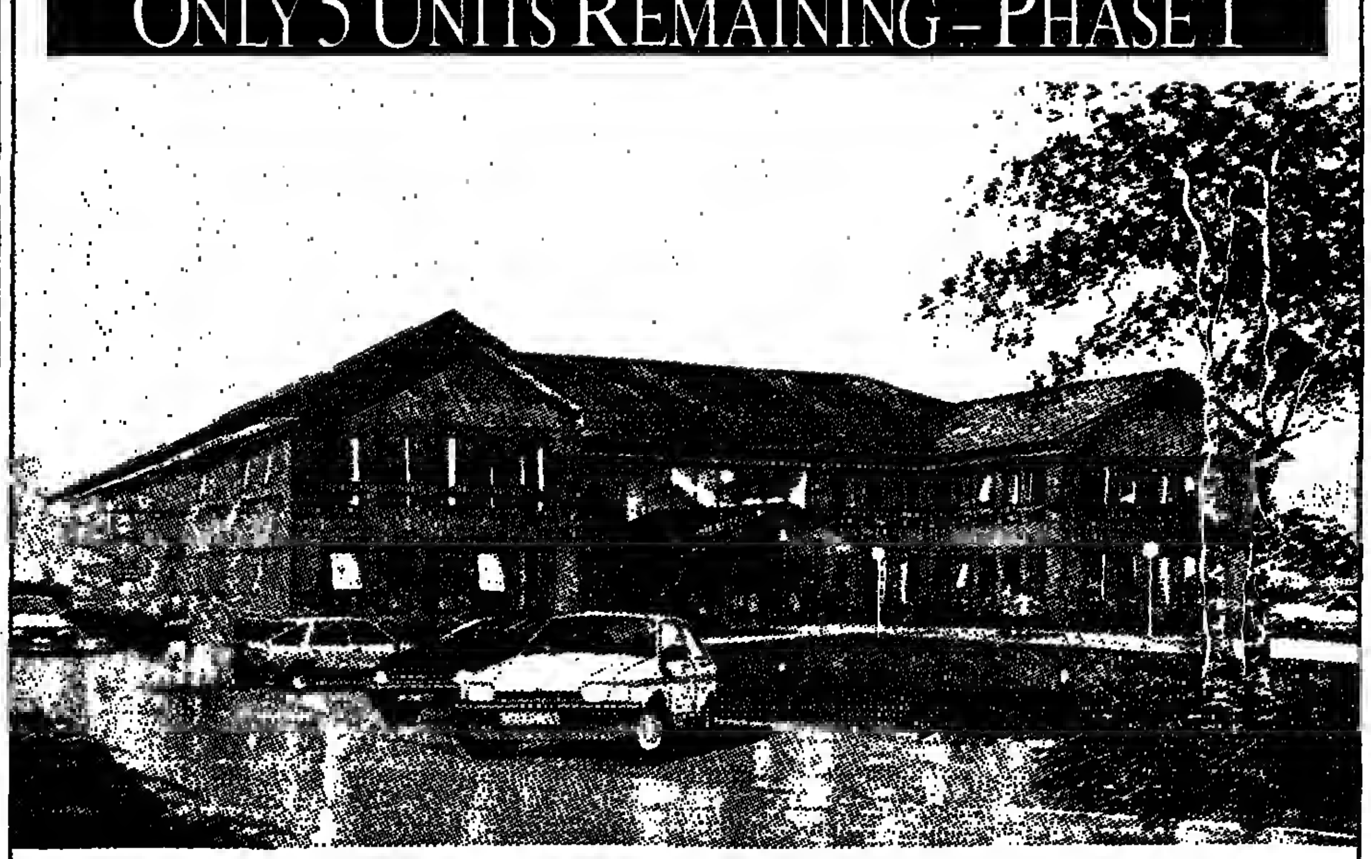
The company employs 700 at its main site in Coventry, producing grinding machines, Churchill lathes and Matrix machining centres.

It had sales of £28m last year when it just about broke even. Mr John Harris, the marketing director says sales this year are expected to be about £36m of which £5m will come from supplying flexible manufacturing systems and the machines for those systems.

The company, which is supplying Rover this year with machines for the engine and gearbox lines for the R8 Maestro replacement, says it has a healthy £35m order book.

Nick Garnett





Terry Dodsworth explains GEC-Plessey's rationalisation plans

Essential step to world rank

ONLY A month after its formal launch, GEC Plessey Telecommunications (GPT) has embarked on the long-expected rationalisation of telephone equipment manufacturing in the UK. The receot announcement of plans to cut jobs by 1,800 over the oext year was not as draconian as some outsiders had expected; but it has begun a process of consolidation that is seen widely as an essential step in Britain's development of a competitive industry in international markets.

The need for retrenchment at the group, which has its headquarters in Coventry, has become increasingly apparent since the development of digital technology. As the change over to these new electronic techniques in switching and transmission has accelerated, it has changed the balance between shop floor manufacturing and development work.

Fewer hands are required to put the equipmeot together, while more effort is being put constantly into upgrading the software that controls the oew systems. Hence the need for manufacturing economies at a time when additional resources are having to be ploughed into system development.

For the two parents of GPT, the General Electric Company and Plessey, there was an added incentive in the merger: the perception that they could soon be left behind in the race to develop international companies in the telecommunications sector.

Growth oo an international scale is seen by both as a priority. In the UK, the underlying growth in the public switch market, where GPT is selling almost all its products to just one company – British Telecom – is only about 8 per cent a year. Nor is the UK business alone reckoned to be big enough to generate *sufficient funds to finance the* next generation of products.

In addition, the competitive threat from other large international competitors is growing. Up to now, the telecommunications industry has not bred geouine multinational companies. It has been a business characterised by national champions producing for their home markets and largely held out of overseas ones by protectionist procurement policies in the national telephone service companies.

These trade restraints, however, are now beginning to break down. Liberalisation policies have reduced the height of some of the barriers, and the larger companies are marshalling their forces to push into previously proscribed foreign territories. Ericssoo of Swedeo has woo some ootable victories on this front over the last three years, and it is oow being followed by a clutch of Japanese, US and European companies intent on emulating its approach.

GPT's ratiooalisation announcement underscored some specific points on the potential for streamlining in the two companies. The job cuts, from a total workforce of 1,800, amount to a total of just under 10 per cent – a sizeable amount in an industry that is expanding, even though some analysts felt there might have been more.

At the same time, however, the company has made it clear that it does oot intend to trim back in either the sales and marketing area, or in engineering and product development. Indeed, it evidently sees a need to continue a high level of investment in these activities, particularly in gearing up to take on foreign markets.

The production of System X digital telephone exchanges, the company's flagship product, is also being gingerly reorganised to cut out manufacturing at Kirkcaldy, north of Glasgow. This will leave System X output concentrated at the former GEC plant in Coventry and the ex-Plessey facility at Liverpool. The headquarters will also be set up in Liverpool.

The plans for System X are of paramount importance in the joint venture because about one-third of the group's turnover lies in this switch technology field. It also provides significant potential for streamlining, because ideotical equipment is being made at each of the plants – a legacy of the methods used to develop the switches jointly under plans orchestrated by BT.

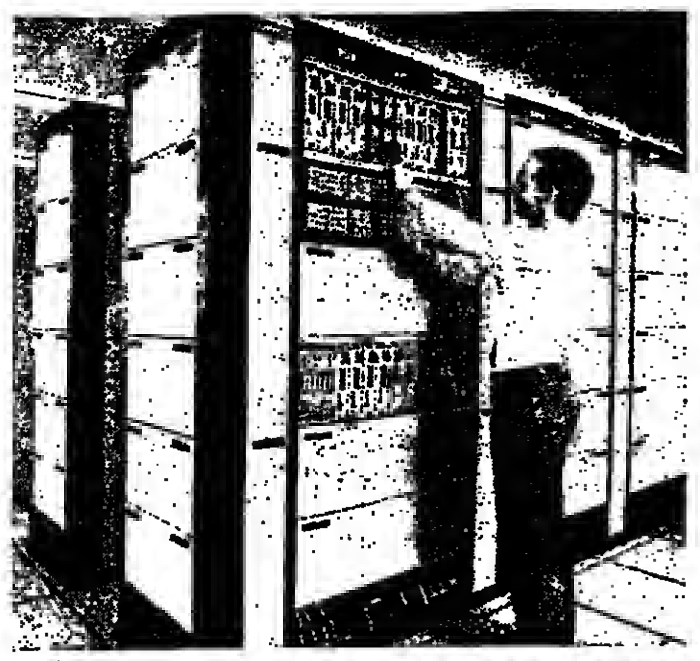
Some engineers believe that the new group should have centralised its System X output on just one plant, preferably Plessey's Liverpool facility. This would possibly have cut overhead costs more radically than will be possible with two plants; and it would have allowed greater utilisation of the Liverpool operation, which is said to be large enough to meet the manufacturing needs of everything that is made in the two facilities at present. Nevertheless, about 700 jobs may be eliminated at Kirkcaldy unless alternative work is found for the plant, while component production is being concentrated at Coventry.

The group's Liverpool activities, which also embrace payphooes at Chorley, will lose around 70 jobs in total as a result of the changes, finishing with a total of 3,000. The main concentration of production will remain in the Midlands, the heart of the former GEC activities. The plants in and around Coventry, employing around 9,000 workers, will dominate output of transmission products, a fast expanding part of telecommunications; and Beeston in Nottinghamsbire, which employs 4,000, will be the centre of the group's business systems division, manufacturing private office telephone exchanges and other equipment which does not go into the public telephooe network.

The rest of the group's activities will be scattered around the country - at Ballynahinch in Northern Ireland, where the plant makes System X parts and payphones, at Aycliffe in County Durham, making telepbooe sets, and Poole in Dorset, a design centre of System X software. One foreign business will also be part of the group: GPT has absorbed Stromberg Carlson, the Florida-based switch manufacturer acquired a few years ago by Plessey, and now beginning to pick up orders from the big US telephone companies.

In spite of this shakeup, there will still be plenty of questions amoog investors about GPT's ability to prosper. On the question of size, for example, the company ranks only about seventh in the world league of telecommunications equipment producers. Its total sales, at £1.2bn a year, are about one-sixth of those of Alcatel, the French-controlled group formed from the merger of CIT-Alcatel and ITT's telecommunicatioos activities, a group which employs about 135,000 people in Europe.

Its strengths are an extraordinarily strong position in its home market, where it holds around 70 per cent of the public switch market at least, a healthy financial condition, a firm foothold in the US through Stromberg Carlson, and a range of oew products that could prove highly successful if they can be effectively exploited in overseas markets. All of these points could help establish GPT as a significant world player over the next few years; and they will almost certainly play a part in persuading other international companies to form closer links with the UK group.



GEC-Plessey's flagship: the System X digital telephone exchange

Profile: Husky Computers

Portable profits

IN AN unlikely outpost of the silicon economy, Husky Computers has established itself as Britain's leading maker of hand-held computers, a narrow but lucrative market in which it claims a dominant position.

Husky occupies the first and third floors of the Courtaulds research block in Coventry, separated by the textile group's own labs on the second. As Courtaulds has contracted, it has let out surplus space on the sprawling factory site to small enterprises, creating an ad hoc industrial estate.

If the setting seems a world away from the science parks of Berkshire or California, Husky has oever strayed from its Midlands roots – an "accident of history," the company admits.

Founded in 1977 as a electronics design consultancy, it originally traded from above a solicitor's office in the centre of Coventry. Early projects included designing infra red-controlled toy cars for Matchbox-Lesney and electronically monitored soap dispensers for Unilever.

Only a decade later, however, Husky's annual turnover is running at £10m and its export record – 40 per cent of total sales and growing – won it a Queen's Award this year. The growth is all the more remarkable considering that its three founders (who gave their initials to the original name, DVW Microelectronics) left loog ago and that it has had three corporate parents in less than two years.

Husky came of age in 1980 when the Severn Trent Water Authority asked DVW to design a "rugged" version of a US-made hand-held computer so that its field personnel could directly enter flow data as they waded through rivers and streams.

Taking the model apart, the designers concluded they might as well start from scratch and so developed the first rugged hand-held computer, water-proof and shock-resistant. After an item about Severn Trent's new gizmo on BBC's Tomorrow's World elicited no fewer than 3,000 inquiries, DVW withdrew from consulting and became a full-time manufacturer of computers.

It was through the Severn Trent project that DVW first caught the eye of Ian McCue, chief executive of Sarasota Technology, theo an indepeodeot company but now, like Husky, a subsidiary of Peek, the acquisitive electronics group.

Sarasota itself had been working on river flow gauges for Severn Trent. "It was the greenfield in which we both met," says McCue, now Husky chairman. Sarasota became Husky's US sales agent several years before the two companies – at McCue's behest – found themselves under the same corporate umbrella.

In the meantime, Husky (which changed its name from DVW) had been owned by two other public companies. The first, Aidcom International, a loose confederation of design firms, was taken over in October 1986 by Addison Consultancy, the public relations group. Addison had little interest in owning a computer maker and sold Husky to Peek for £3.8m last July.

Since developing the original Husky, the company has focused on products designed for "occupational users" – sales representatives and service engineers – steering clear of the more competitive high-volume consumer market.

Husky computers are now used for stocktaking, reading water meters, surveying, agricultural and market research, medical diagnosis in the African bush, and monitoring railway goods waggons in France. There is even an "intrinsically safe" model for use around explosive materials.

The Ministry of Defence uses them not only for on-line diagnosis of Rapier surface-to-air missiles but *also* to test the stress faced by paratroopers and tank crews. The compoters allow instant communication with mainframes as well as data collection and on-the-spot calculations.

Remote interrogation of the latest models requires sales representatives to do nothing more than place the computer on a plinth-cum-modem when returning home in the evening. Information is fed back and forth from head office, allowing orders to be processed and new instructions to be fed into the Husky for the next day's rounds.

Superficially, Husky's narrow focus extends to its product range. To paraphrase Henry Ford, you can have a Husky computer in any size you want, so long as it's A5: 21cm X 15cm (about 8.3 inches by 5.9 inches). Qualifying as hand-held with the aid of a strap on the back, a sales pitch brags that the computer is "small enough to lose in an ordinary briefcase."

"Compactness has its price, however. The Hawk, Husky's first non-rugged product and its cheapest model, ranges from £850 to £1,345, while the Hunter – latest of the hardy models – starts at £1,000 and goes to £1,650, depending on facilities including memory of up to 1.1 megabits.

All assembly is done in Coventry. Up-to-date automation techniques make it unlikely Husky will consider moving, McCue says, although local content laws in some export markets might eventually shift some assembly abroad.

Husky's technical innovation and focused strategy has succeeded so far in side-stepping the cut-throat competition of the international computer market. McCue, however, knows that this is unlikely to last forever: "If there's a good market, others will recognise it and jump on the bandwagon."

Clay Harris

Profile: Motor Panels

Courage pays off

IT SOUNDS like a Midlands metalbasher, and its presses do stamp out components for more truck cabs – 20,000 a year – than any other independent manufacturer in Europe. But few other UK companies have a name which so belies the reality.

Motor Panels was very much part of the old Coventry, but the very fact it exists – and thrives – today, when many of its former customers have merged or simply folded into oblivion, singles it out as a symbol of industrial resilience.

It vindicates the company's emphasis oo design: not just of the finished product but of the manufacturing process itself.

Most of all, however, Motor Panels' survival is proof of the value of contrary thinking, and the courage aod finaocial resources to carry it out. Several times in the past two decades, Motor Panels has successfully defied the cooventional wisdom of British industry.

Mr Merrick Taylor, managing director for 15 years, puts it simply: "Invest in recession to pay off in boom."

The most dramatic recent illustration of this strategy was in the 1981-82 recession, when Motor Panel's output dropped to 50 cabs a week, compared with the 120 it had been producing a decade previously.

At the very nadir of its fortunes, Motor Panels committed itself to a £2m investment in a cathodic paint shop – a process which doubles anti-corrosion protection. It was the first independent company in Europe to take the plunge.

Unlike many other engineering companies, Motor Panels also kept its apprenticeship programme in place throughout the recession. In 1982-83, it had, in relation to its size, the West Midlands' highest apprentice intake. It even took in people who were cut off mid-apprenticeship at other companies.

It has subsequently invested nearly £2m in computer-aided design, co-operating closely with IBM on technical development and demonstration of CAD systems.

The courage paid off. Since returning to the black in 1982-83, profits have nearly trebled on turnover which has more than doubled to almost £40m.

Yet, outside the motor industry and design circles – where Taylor is a leading light – the company is hardly a household name, a fact not unconnected with the secret of its success.

As part of Rubery Owen, the private family-controlled engineering group, Motor Panels was able to keep at bay market forces which spelt the end of so many similar companies. Motor Panels and associate companies employ nearly 1,000 people in the UK, of whom 550 work in Coventry.

As a private company, says Taylor, "It was easier to be noncredible. It was easier to break conventional wisdom. It was more difficult to resource it. I spent the vast proportion of my time in actually organising the investment."

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Commercial and industrial property

Investment opportunities in demand

THE ECONOMIC revival and the diversification of Coventry's economy away from the motor industry has flowed through into the property sector, creating a demand for space and pushing up rents.

The property market in the city has always had a life of its own. It is an individual centre quite distinct from Birmingham and Solihull. But it is, at the same time, generally a bit cheaper. The fact that it is part of a wider geographical pattern of economic growth means that it can draw in space users deterred by higher prices elsewhere.

By the same token, it is one of several magnets in the West Midlands region for investment funds seeking opportunities that have become increasingly rare in the London and South East.

There are no precise figures but much of the investment interest has come from property companies. The financial institutions have been curious about the market but their scope for spending is limited by the small amount of property on the market.

"In the last six months," said David Holt, a partner at Cartwright Holt, chartered surveyors in Coventry, "there has been keen demand for standing office investment. It has been coming from London, from development companies and private investors. They have made big profits in the south. They've realised them and are reinvesting in the Midlands."

The institutions though have been consistently interested in retail investment, whether it be at Coventry or anywhere else in the country. And it is in the retail sector that the most obvious signs of property development are visible.

The Coventry City Council has been keen to see a new generation of shopping facilities introduced. The city centre was one of the first in the country to become car-free, but in recent years it has looked tired.

Now, however, Burton Property Trust is starting a £60m scheme to provide 250,000 square feet of redeveloped space and St Martins Property is to embark on a £10m speciality centre designed to draw in the visitors attracted initially to the adjacent cathedral. Land Securities may cover in that part of the inner city shopping precinct that it owns.

"There is hardly a piece of the city centre which is not being looked at for regeneration or refurbishment," noted Mr Holt. Combination of all the planned developments should secure the commercial future of the centre which is seen, against the background of resumed economic growth in the area, to be capable of sustaining a higher level of retail activity.

Outside the centre development has been limited to a few retail warehouses, but there is now a search among developers for new opportunities. Ladbroke City and County Land won a tender for a new retail park on an old British Rail goods yard, while Bryant Developments is engaged in a planning appeal for permission to develop another park on land which is actually in the planning jurisdiction of the Rugby District Council although on the Coventry boundary.

'There is hardly a piece of the city centre which is not being looked at for regeneration or refurbishment.'

The retail market itself is very tight with few properties available for lease. And the same is true of the inner city office sector. Any prospective teoant looking for 10,000 square feet would find it difficult to find.

Although there is now growing investment interest and the conditions look favourable for some speculative development, most development activity at the end of a sluggish decade has been for owner-occupation. Equity and Law Assurance has completed its own building, so has Cartwright Holt, and the Land Registry has plans for a 125,000 square feet building.

Elliott Son and Boyton, chartered surveyors, noted that although it takes time for the market to react to shortness of supply, rental movements in the next year are likely to be significant.

Starting off a base of £3-£4 a sq ft at the beginning of 1987, said Mr Holt, rents have moved to £5-£6 and could rise above £8 in the coming months. It is this sort of level which makes developmeot a financial possibility again.

City centre rents are likely to remain at a premium to those out of town where the major project is the Westwood Business Park. Here the Coventry City Council has undertaken some development on its own behalf and has released land to property companies.

The asking rent at phase one of The Oaks section of the park, under construction by Science Park Developments, is up to £8 a sq ft. At the Mercia business village, also in the park, Northern Workspace has 12 units under offer and a bid by two London-based investors to buy the rest.

The space being created fits into the B1 category of general business use. Although originally conceived as an extension to the Warwick University Science Park, Westwood is in fact turning through force of demand into a campus office park. The level of this demand – from the likes of computer and marketing companies, not to speak of tenants already in the Science Park seeking more space – is the clearest indication available of the growing strength of the local high tech and office market.

The industrial market too is constrained by lack of space, a point singled out by Mr Nicholas Ridley, the Environment Secretary, in his strategic planning guidelines for the West Midlands, when he emphasised "recycling land for industrial purposes in Coventry" as a point of planning policy.

Altbough small industrial units have been developed, taking advantage of industrial building allowances, a shortage of units of more than 5000 sq ft has emerged – in common with other areas, lika North East England. Recent development's like the City's Seven Stars Estate have been fully let.

Mr Holt noted that the last one acre site for general industrial purposes that his company had sold had reached a price of £145,000. He could think of only one other available site of the same size in Coventry. The City Council has been active as a developer in its own rights, largely because the private sector has, until recently, seen rents as too low to warrant speculative development. Given contiooed growth in the national economy, however, Coventry could become a favoured location because of its easy motorway access.

Paul Cheeseright

Westwood Business Park

A case of leadership

HOPES ARE running high in Coveotry that the Westwood Business Park will prove the turning point in the city council's plans to diversify the economic base of tha city.

Together with the adjaceot Warwick University science park, set up four years ago, Westwood will provide the sort of accommodation which is attractive to established companies re-locating from the South-East as well as smaller and start-up units. Later phases will include high quality housing.

Westwood is located on tha south west side of the city, bounded by wooded parkland, with easy access to the existing motorway network. This will be improved further with the extension of tha M40 from Oxford to Birmingham, which is likely to put this part of Coventry pretty firmly in the prosperous southern belt of Britain.

The 74 acres site has been in the council's ownership for many years, and was intended originally for public housing. The decision to use the site for e business park was taken at a time when the health of many of the city's industries were at a particularly low ebb. In the environment immediately after the recession, it was clear that the council would need to take the lead in developing the site.

Starting last summer, the site was cleared, services laid down, and road access improved at a cost of £3.2m. The council financed the first office building, primarily to create interest among developers, but also to set a high standard of architecture for the rest of the park.

The building, so far unnamed, is now ready for occupation. Four of the 10 units have been taken by companies which provide a flavour of the mixture of activities that are likely to move to the park: Ingersoll Maschine Werkzeuge, Gleason Works, Allied Dunbar Assurance, and Hardinge Machine Tools. Tha coucoil is currently letting at rents of £6.50 to £7 a sq ft for units of 2,500 sq ft upwards. Leases are 21 years, with rent reviews every three years.

These compare with rents of around £5 a sq ft in the city centre. They are also slightly above reots in the science psrk, reflecting the fact that companies in Westwood will not have to satisfy the rules that apply regarding scientific and/or technological content in the science park.

To date, one company, Armstrong Equipment, has settled on Westwood for its corporate head office on a six acres site bought from the council.

An important pointer to the growing diversity and changing perception of Coventry is the fact that private sector speculative developments have been signed up to build accommodation suitable for offices and light industrial use on the park. Work will start shortly on land leased to Loodoo-based Scieoce Park Developments. Its first phase will be known as the Oaks. Preston-based Northern Workspace has disposed of nearly half the 1,500 sq ft units to be huilt in the Mercia business village, and Durngate Developments is due to start on its development of very small units.

Westwood is the most prestigious office and industrial property venture undertaken by the council. Together with more conventional units are dotted around the city, it has filled a gap left by the private sector which was not prepared to take a risk on Coventry.

The Warwick University Scieoce Park, whose sharcholders also include the council, West Midlands Enterprise board, and the county council began the change in image.

In the psst year, it has acquired a further 18 acres to enlarge the park to 42 acres in total. An early vindication of the expansion was that Buehler UK signed a lease to take 4 acres for the construction of a European headqoarters and research and development base.

Soma 40 companies are now located on the park. Several have moved out from the Barclays Venture Centre to larger units so that their places can be taken by smaller compaoies. Eoglish Estates will be investing £1.8m in a 30,000 sq ft speculative building. The intention is that it will be bought by a financial institution eventually.

The growth in jobs to nearly 500 on the science park has been faster than predicted originally, which is particularly gratifying in a city that has seen thousands and thousands of jobs in traditional engineering disappear over the last eight years.

Hazel Duffy

Motor Panels' courage pays off

Continued from page 4

Taylor does not hide his contempt for UK accountancy's "audit-and-receivership cycle" which dominates the City's view of industry. As a design-conscious industrialist who faults state education for being too concerned with words and numbers and not enough with imaginative skills, Taylor admits he would get short shrift from many number crunchers.

He insists, however: "Intellectual investment is actually the area where the profits and margins are made."

This conforms with the three key decisions in the company's 50-year history: developing pressing technology for car bodies in 1930s, the same for truck cabs after World War II; and then, at beginning of the 1970s, to become design-led.

The last move was not a great departure. Motor Panels had always had close links with its customers – developing the first "club cab" in the late 1940s for truck makers including Thorneycroft, Guy and Dennis, and then the Leyland Albion Dodge cab for those companies.

"It was this cab that made Leyland so successful that they took over the car industry," Taylor wryly notes.

In the late 1960s, Motor Panels speculatively developed the 2.5 metre Transcontinental – its first cab not designed for a specific customer – to meet emerging international regulations. Leyland requested a similar cab, from which developed the Roadtrain, still in production at Motor Panels more than 15 years later.

"All the way through, we kept a hand in car bodies," says Taylor. Motor Panels and an associate Coventry-based company, Park Sheet Metal, together account for the pressing, painting and assembly of all Daimler limousine bodies, 300 a year. Motor Panels also made bodies for the Rolls-Royce Camargue and Jensen Interceptors and Healeys.

It also built Bluebird, in which Sir Donald Campbell broke the land speed record, as well as the Rover BRM Turbines which raced at Le Mans in 1963 and 1983 and General Motors' XVR gullwing show-car: it declined to tender for De Lorean.

At present 60 per cent of Motor Panels' engineering work is involved with cars, suggesting that significant unannounced projects are in the pipeline.

The 1970s move into engineering design reflected a realisation that manufacturing alone would become less and less important.

'Intellectual investment is actually the area where the profits and margins are made'

Pure design contracts, often for overseas manufacturers, would play a greater role.

Once again, "We went in exactly the opposite way from the majority, exactly the opposite. While they were cutting back, we were building up." The engineering department has grown from 15 to 100 since the early 1970s.

The most important developments were in manufacturing. A "flexible build system" enabled cabs of different lengths and widths to be assembled on the same lines. Along with standard panels which accounted for 70 per cent of each cab shell, this meant that the volume of each model was no longer crucial. The system was also well suited for knock-down kits.

Implementation of just-in-time deliveries means that Motor Panels now has only 350 tonnes of steel in stock for weekly output of 400 cabs. It used to be 3,500 tonnes for 100 to 150 cabs per week.

The next big investments will be in press technology and in the tool room, where computer-aided manufacturing will play a large role.

For 15 years, all products and production processes have been designed with robots in mind - panels fit together with external flanges, for example – but Motor Panels is still not convinced they are cost-effective for a medium-size producer. An experiment is likely in one limited part of door assembly.

Taylor is convinced that design quality will become increasingly important, especially in the sophisticated European market. "Price can never be cheap enough, if the rest isn't there."

Clay Harris

Mr Merrick Taylor, managing director of Motor Panels: "Invest in a recession to pay off in a boom"

The city is anxious to avoid its own North-South divide by vigorously tackling ...

Demands of age and unemployment

FOR MOST of the post-war years Coventry enjoyed an image as a boom city where any social problems were the product of a more than fair share of affluence.

This image was always somewhat simplistic. But the full-employment which modern Coventry came to take for granted undoubtedly left its population particularly ill-equipped for the 1980s when – not for the first time in its history – the city fell victim to over-dependence on a narrow industrial base.

As recently as the early 1970s, Coventry's unemployment rate was below 3 per cent. During one two year period – between January, 1980, and January 1982 – it increased from 7.7 per cent to 18.9 per cent and has remained around this level until recently when, in spite of some decline, it remains above the national average.

Unemployment in the Coventry local authority area in March was estimated at 16.3 per cent, compared with a West Midlands regional rate of 14.3 per cent. People who have been out of work for more than a year make up half the city's jobless, while 25 per cent of the unemployed have been without jobs for more than three years.

There is a strong link between long-term unemployment and both poverty and health problems, and the human consequences of these figures has put heavy pressure on the city's social and medical services.

Coventry, in spite of the modern image generated by its post-war city centre, has a considerable share of the inner-city problems associated with older industrial areas – both literally in its inner city and on peripheral housing estates.

Unemployment – even in the days of prosperity – was never shared evenly around the city and the contrast now shows more starkly than ever, with rates ranging from around 7 per cent in some wards to above 30 per cent in others. Both adult and youth unemployment are at their worst in parts of Coventry which have a high concentration of families from ethnic minorities, and the unemployment rate among black people in the city is estimated to be double that for whites – not that this is a phenomenon unique to Coventry.

The painstaking work of trying to replace jobs lost in engineering has begun

One of the Government's Action for Cities task forces was set up at the end of last year in the Hillfields/Foleshill area of Coventry – a district which borders the city centre and combines a familiar range of inner city social, employment and environmental problems.

About 55 per cent of the task force area's 27,000 population are members of ethnic minorities, mainly of Asian origin. Recent unemployment rates in Hillfields/Foleshill have exceeded 30 per cent.

Within the task force area are monuments to industrial glories from Coventry's recent past, like the country's first car production line and largest machine tool shop. Now Mr Derek Player, the task force director, and his staff have begun the painstaking work of trying to replace jobs which have been lost in engineering with new skills and opportunities.

The construction, hotel and catering and community care sectors have been identified as areas of likely employment growth for Hillfields and Foleshill, and training opportunities are being concentrated oo them. About 90 Asian-owned clothing companies in and around the area are another important source of employment, supporting some 2,000 jobs.

Mr Player acknowledges that the task force is taking longer to develop relationships with the ethnic minority community than the white one, but progress is being made through two members of his staff who speak Asian languages. Plans involving local Asian professionals have beeo advanced to set up a project under the Governmeot's proposed new employmeot training programme to overcome an under-representation of Asians which has been experienced on toe Community Programme for the long-term unemployed.

The task force is also supporting, in conjunction with Coventry City Council and Warwick University, a skills audit of 7,000 Coventry people – including 1,500 in the task force area – to gather information on their work histories and skills and training aspirations. It is believed to be the most extensive exercise of its kind undertaken in the country.

Coventry has traditionally been a city to which people have migrated – from elsewhere in Britain and overseas – at times when jobs have been available. Such movements of population can skew the age structure of an area away from national norms. There will be a sharp increase in the proportion of old people in the British population hy the early 21st century but Coventry, as a result of a big influx of newcomers in the 1950s, is already experiencing this prohlem to a greater than average degree.

In 1971 only 10.2 per cent of Coventry's population was aged 65 or over. By 1991 the proportion will have risen to 15.9 per cent while a 52.6 per cent increase in the oumber of people aged 85 or over is expected between 1981 and 1991.

Coventry has traditionally been a city to which people have migrated

Elderly people are among the most expensive consumers of health and welfare services and this change in the population structure poses major planning and financial challenges for the city's health and social services authorities.

It has already been reflected in a distinctive change in Coventry's social services spending during the 1980s. The proportion of the city council's social services budget spent on children's services declined from 36.8 per cent in 1980-81 to 27.3 per cent in 1987-88, and services for elderly people have become the top social services spender, consuming 45.4 per cent of the budget in 1987-88.

The city has to make provision for this population change at a time when the consequences of unemployment have put other strong pressures on its social services resources. Officials therefore look with relief at signs of increasing economic activity in Coventry but Mr Martin Brassington, Director of Social Services, expresses a widely-held concern that Coventry could finish up with a North-South divide within its own boundaries.

"The danger is that we could find ourselves in a divided city where 80 per cent of the population are doing well but the remaining 20 per cent face lives of growing disadvantage and poverty. It is this that we have to find ways of avoiding."

Alan Pike

Tourism

Beyond Shakespeare

HOW WOULD you like to be "sent to Coventry"? A phrase which describes those shunned by the rest of the community is hardly an encouraging beginning for Coventry's attempts to establish itself as a tourist centre.

The phrase originated in the English Civil War when Royalist troops were imprisoned in Coventry's St John's Church. When they were paraded through the streets, the story goes that the local populace turned their backs and refused to acknowledge the prisoners.

Twentieth century denizens of Coventry are rather more enthusiastic about visitors. The council's marketing unit is encouraging tourists with the phrase "Coventry – The City in Shakespeare Country" in the hope that those set on visiting the bard's haunts in Stratford-upon-Avon will opt to stay in Coventry where the prices are cheaper.

To tap the "Ye Olde Nostalgia" market, the city offers not only Elizabethan banquets hut a "Dial-a-Shakespeare" service for groups who want to see an evening of costumed readings in their hotel. Stratford is described as "a thirty-minnte drive" away and there are picturesque locations lika Stoneleigh Abbey and Coombe Abbey even closer by.

However, there is limited mileage in such a marketing strategy. "Come and see us, we're close to mnch nicer places" is not a particularly alluring message.

So Coventry is also striving to stress the attractions of the city itself. The most obvious is Coventry Cathedral, visited by an estimated 500,000 people last year.

The architectural merits of the cathedral are still the snbject of some debate. But the cathedral's real appeal lies in its symbolic association with the revival of the city itself.

The old cathedral was flattened in a German bombing raid of 1940 which also laid waste much of the city. The day after the raid, Jock Forbes, the caretaker, found two partly burned beams, made them into the shape of a cross and planted it in the ruins.

That cross came to symbolise Coventry's resurrection from the rubble and a new cathedral was built next to the ruins of the old. Designed by Sir Basil Spence, the new cathedral, which was consecrated in 1962, contains sculptures by Sir Jacob Epstein and Graham Sutherland's giant tapestry.

Coventry's other claim to historical fame is Lady Godiva. The wife of Earl Leofric and sister of Tharold, Sheriff of Lincolnshire may well have been noted at the time for her piety and devotion to the service of the church. But legend has immortalised her for a naked ride on horseback through the streets of the city in protest at her husband's excessive taxes.

There is obviously some tourist potential in the story. In Peter and Gordon's song of the 1960s, the Hollywood director says to Godiva "How'd you like to be a star? You're a girl that could go far, especially dressed the way you are".

But the modern Coventry's only concrete, or rather bronze, tribute to the famous streaker is a statue in the Broadgate shopping centre. The city is hoping to build on the tradition with a Lady Godiva walking trail and even a "Godiva break" theme holiday.

Perhaps the most inventive attempt by Coventry to spark tourist interest is "The Great British Motoring Experience". A series of car factory trips, advertised in the TV Times, received an encouraging response from those fascinated with all aspects of the automobile.

Tourists can witness the production of the Peugeot 405 (of "burning field" advert fame), Massey Ferguson's tractors or even London's famous black taxis made by Carbodies.

In the centre of Coventry, there is an impressive Museum of British Road Transport which covers everything from the earliest bicycles to Thrust 2, the car which set the current world land speed record.

It is backed up with special holidays like the "Big Cats" weekend during which visitors are lent a Jaguar XJ6 to pursue a treasure hunt through Warwickshire. Given modern enthusiasm for the car, "The Great British Motoring Experience" looks destined to be a success.

The city is also trying to increase the number of business visitors. Last year, it appointed a conference marketing officer, Sally Deighan, to boost the £18m or so that Coventry derives from conferences each year.

Coventry has no purpose-built conference centre but it still manages to attract a steady trickle of organisations ranging from the Association of Polytechnic Teachers to the International Scouting Association.

There is no doubting the city's determination to improve its image. A private sector body, CAVCA (the Coventry Area Visitor and Conference Association), was formed last year to back the efforts of the city's tourism department.

Philip Coggan